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ABSTRACT

Issues of strategy and statesmanship that characterize the period prior to a decision for a college merger are addressed. Attention is directed to models of private college merger, based on patterns used in the 1970s, and innovations sponsored by foundations in the early 1980s. Factors that increase the chance of a voluntary merger taking place are also identified. A recent attempt to merge the University of Bridgeport and the University of New Haven is described, with details of the period of planning prior to a board decision regarding merger, as well as comparisons to strategies used at other colleges. Emphasis is on choices of the early period that can contribute to a new institution but not harm the existing ones should merger not occur. Annotated case materials are included to illustrate the full range of concerns when studying the possibility of a college merger. These materials, which have been duplicated from file originals, provide a step-by-step documentation of the feasibility study; they also show the speed and inaccuracy of working papers. Specifically, the documents and study commission reports concern: establishing the merger study commission, institutional data, financial analysis, enrollment projections, and legal analysis. Appendices identify 20 private college merger attempts, 10 of which resulted in merger and 10 of which did not. A 58-item bibliography concludes the document. (SW)

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Approaching College Merger

A MANUAL
WITH CASE DOCUMENTS

By Gail S. Chambers

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A MERGER FEASIBILITY STUDY

CONDUCTED JOINTLY BY THE UNIVERSITY OF BRIDGEPORT AND UNIVERSITY OF NEW HAVEN

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Preface

The twentieth century march of science into analyzing, predicting, and, to an extent that has given many of us pause, controlling human behavior meets its sternest test among complex social organizations. Especially is this true of organizations dedicated to human advancement such as a college or university. Science, which in this case we now call management science, is having all it can take on to work for reorganization of a college, even to implant visible change.

Merging two colleges into one is surely among the most forbidding of tasks which are to be affected by systematic efforts to bring about change. Most college mergers seem to start off with sets of bright plans. Thereafter they take any of a large number of pathways including that path which leads back to the starting point of the merger idea, now marked with a simple sign, "Not at this time" or, even more simply, "No."

Gail S. Chambers belongs to a generation of scholars who are not put off by the large difficulties of seeking system for human organization. Perhaps it is fitting that her undergraduate background is humanistic, even though her current methods take advantage of all that is quantifiable in social relationships. She has made college mergers her particular point of interest. Thus it was inevitable that she should be called upon for a number of assignments as consultant in this field. The proposed merger of the University of Bridgeport and the University of New Haven has been the most extensive of these.

Since history has not yet deserted the field to science, it is perhaps appropriate here to note that the two Connecticut universities at this time and after several months of inquiry have decided not to proceed with merger plans. In the monograph which follows, Mrs. Chambers weaves the Connecticut story into the fabric of other merger ventures. The discussion undertakes to explain how the events of the UB and UNH studies relate both to the history of other merger efforts and to data that are emerging concerning the factors favorable and unfavorable to merger: data which will be eventually forthcoming in her doctoral dissertation on the merger subject.

As Chairman of the University Merger Study Commission for the Connecticut project, I found it constantly rewarding and congenial to work with Mrs. Chambers as chief investigator. She exhibited tact and humor at all times. Beyond that she showed an ability to dig out pertinent facts with a speed and accuracy worthy of a senior scholar. The loyal small staff of helpers whom we were able to gather around the process of survey would join me, I know, in thanking Gail Chambers for her example of hard, efficient work and for making the experience constantly inviting to anyone who is curious about the remarkable chemistry that puts and holds institutions of higher learning together.

Louis T. Benezet

APPROACHING COLLEGE MERGER: A MANUAL WITH CASE DOCUMENTS

Introduction

Purpose of the Manual

When a college or university entertains thoughts of merger, the experience generally is a fresh one for all involved. The purpose of this manual is to outline issues of strategy and statesmanship that characterize the period *prior* to a merger decision, that period of anticipation, negotiation, policy, and craft which determines the shape of the new institution or leads to disengagement.

The manual contains three chapters of analysis and two of instructional case material. The first chapter discusses models of private college merger based on patterns used in the 1970's, plus some foundation-sponsored innovations of the early 1980's. The second chapter identifies factors that increase the likelihood of a voluntary merger taking place. By extension, these factors suggest ways in which voluntary private mergers or mandated mergers in the public sector might find bases for institutional strength. The third chapter chronicles a recent attempt to merge two universities in Connecticut, giving details of the period of planning prior to a board decision regarding merger. Chapter IV compares this attempt's approach with strategies used elsewhere to highlight the choices involved in managing this part of the merger process. Some personal conclusions are summarized in Chapter V. A final chapter offers annotated case materials to illustrate in detail and for the first time the full range of concerns to be addressed when studying the possibility of a college merger.

Usefulness of the more detailed material in the manual depends on where an institution is in making progress toward a merger decision. The three analytic chapters separate the period of approach somewhat artificially into questions concerning models, attractiveness, and feasibility. A college leader will consider these issues simultaneously in the first approximation of whether or not merger with some other institution might be a good way to go. Like the growth of the nautilus, however, merger requires successive stages, each greater in breadth and detail. Each new level of analysis must address all parts of the problem.

Individual cases suggest that college presidents are so easily caught up in planning and negotiations that systematic arrangement of the process can escape them. Emphasis throughout the manual is on choices involved in orchestrating the period of approach so that it can contribute to a new institution but not harm the existing ones should merger not occur.

Sources of Data

There is as yet no shared art and certainly no science of college merger, though some of each is approached here. Published material for the most part is scant and "soft," lacking even such research essentials as complete lists of college mergers. There is not even agreement on terminology; practitioners have struggled to euphemize this difficult business: unification, reconstitution, marriage, or even amalgamation (one imagines creating some gigantic University Amalgamated). Sources of descriptive evidence for this manual include manuscripts, dissertations, and published studies on both public and private merger attempts, listed in the bibliography. These are augmented by a library of case materials, accumulated by this researcher as much by chance as by system (see Appendix), illuminating twenty private college merger attempts, ten of which resulted in merger and ten of which did not (the latter often being most informative). The analysis of factors leading to successful attempts in the 1970's interprets this mass of anecdotal material.

The Importance of the Connecticut Case

A merger between equals which builds on the strengths of two institutions is the form of merger which will be most promising for public and private higher education in the retrenchment era. Recognizing this, foundations have assisted two of three such attempts in the early 1980's so that their successes and difficulties might be shared with the academic community at large. This manual is the first of these studies. As such it attempts to place their developments in historic and analytic perspective. In using extensive illustrative material from recent negotiations between the University of Bridgeport and the University of New Haven, it concentrates as much on reasons for the failure of that attempt as on its ingredients for success. A few particulars given here as introduction raise issues that will be especially helpful to those with similar hopes.

In 1980, early thoughts of merger brought the president of the University of New Haven (UNH) to suggest a relationship with the University of Bridgeport (UB). With the help of outside consultants, the presidents sketched out what a combined institution might look like. Their respective board executive committees approved this idea as a first approximation, but asked the presidents to come back with validation and detail before a full board review. With their firm desire underwritten by grants from the Exxon Education Foundation and the Ford Foundation, the presidents assembled a commission of educators, industrialists, and merger specialists to explore the feasibility of creating a merged institution. Briefly stated, although the universities understood themselves to be among the many hard-pressed institutions, the arrangements were to be for a voluntary merger between equals rather than one forced by financial distress or external agency. Since there was still a great deal these schools did not know about one another, a neutral group of outsiders was asked to assess the situation.

The strategy that established such a commission would help determine its outcome. It was understood that the commission would be responsible to the futures of both institutions. It would work independently of the two presidents but report its results through them. It was felt that such a disinterested commission would tend to be less sensitive to internal differences than a constituency-based planning group would be. Moreover, analysis by such a commission would carry a long-range perspective. The results of the commission's work would avoid the intimacy of constituency self-interest, but at the cost of developing constituency ownership.

The Commission so structured brought forward a model for voluntary college merger under difficult circumstances. It discerned an opportunity for joint service to the region, but also an apparent social distance between the institutions, as well as strong financial and legal constraints. The model for these conditions recommended an early decision transferring control of the merger process to a neutral holding company which would be empowered to negotiate details without subsequent review by the constituent boards. One institution found the model promising, but the other questioned commitment on such a scale without more assurances. A counterproposal implying dominance by that institution ended any possibility of a merger of equals in the current period.

Details of the Connecticut attempt are given in Chapter III, and documents in Chapter VI include planning studies which may be useful in other settings. The significance of the case may lie, however, in reflecting on those who were *not* involved in the commission's work: the presidents, their boards in force, and the campus constituencies. Not only must all those who take part in planning keenly anticipate how a new institution will be set in motion, but those who will move it must be brought into the planning process. At the very least, the presidents should have been in attendance at crucial planning discussions.

The tension here is the old one between the ideal of designing an institution for its own best future and the necessity of building advocacy for that institution at all levels. Finding the appropriate balance is a major problem addressed by this manual. Therefore readers may borrow from the Connecticut experience where they will, given parallels to their own situations, but should ask how far from such an ideal approach they would have to move in order to bring about merger and whether or not their statesmanship is sufficient to the task. Finally, they must ask whether or not the results of creativity and compromise in their own particular settings can offer them any greater *raison d'être*.

Acknowledgements

The reader will perceive clear bias toward information on mergers in the private sector of higher education because this is where the researcher has concentrated her efforts. Evident as well is her involvement as Associate Coordinator on the Connecticut project prior to becoming its "purely objective" historian for this study. A certain reliance on quantitative background materials has been encouraged and supported by the joint M.B.A.-Ph.D. program of the University of Rochester's graduate schools of management and education.

When a project draws on the assembled scholarship of others and studies dozens of institutions, it is impossible adequately to recognize all sources of gracious personal support or of intellectual contribution and encouragement. Substantive debts are more easily identified: the Ford Foundation has directly or indirectly supported the work from its beginning, thanks originally to encouragement by James R. Mingle of the Southern Regional Education Board; more recently the work has benefitted from matched efforts by the Exxon Education Foundation. Meaningful support was also given by Conoco, Inc. The University of Bridgeport, along with the University of New Haven, deserves special credit for having the courage to share what is always a difficult experience and for taking the responsibility to publish its results unabridged, regardless of outcome. The largest debt, however, is to individual reflections on the workings of academic life, and most especially to those of Dr. Louis T. Benezet, the Chairman of the Commission in Connecticut, whose wisdom permeates the interpretations which follow.

Chapter I

Forms of College Merger

Overview

The novitiate can spend considerable effort in trying to move from a general apprehension of college merger to an understanding of form. For those unfamiliar with earlier publications, this chapter outlines patterns of merger which have been tried in the past. It also offers material on current experiments for the merger of equals. Each form discussed should be seen as part of a broader continuum of corporate mechanisms by which institutions of higher education can fulfill their missions.

Institutions cooperate with one another in an amazing variety of ways, from informal networks of personnel exchange to common governance within statewide systems. Public or private, they take part in consortial arrangements, "federations," and "affiliations," all without change in institutional entity or control. Then, too, without involving another institution, they can unilaterally elect bankruptcy, closure, or reincorporation to alter their entity or means of control. The handbook entitled *Colleges and Corporate Change: Merger, Bankruptcy, and Closure* (O'Neil and Barnett, 1981) provides quick reference to this range of options.

The group of options termed "merger" by this researcher are those in which *two or more institutions contract with one another in such a way as to change control of the corporate entity of one or both places.* Such contracts state the governance and financial boundaries within which a new institution will grow. They can be as brief as a single page or can require enormous detail. Often they are the outcome of difficult negotiations (see Chambers, 1981a). Merger attempts which fail do so because they do not embody in contract language ideas which both presidents can endorse and both boards can ratify. The section which follows analyzes contractual arrangements which have been attempted in the past decade. The remainder of the chapter assesses ways in which their basic deficiencies might be overcome through approaches now under experiment.

Models from the 1970's

Within the definition of merger as some mutual change in corporate control, any contract can be invented for particular circumstances and described as a unique type. Laws governing these vary from state to state according to the legislation establishing the public system and laws governing non-profit corporations (see Gaffner on the latter). Merger attempts in the 1970's, as far as can be inferred from available material, follow four basic patterns: consolidation, dissolution/acquisition, interlocking directorate, and a form which resembles a holding company.

In the consolidation form all assets and liabilities of two or more institutions pass to a new successor. This idea was so typical in the rhetoric of the period that discussion of college merger often assumed that such a legal relationship was intended. Consolidation was not the most flexible form, however, since it perpetuated all interests of the combining institutions and at the same time sacrificed both of their corporate identities.

The acquisition/dissolution merger dissolved one institution and passed its assets and liabilities selectively to the other. It allowed full perpetuation of the interests and identity of the one institution but at the expense of the other. Legally it was more complex in design. In an increasing number of cases, however, it seems that institutions in the 1970's arranged dissolution/acquisition mergers.

The need for models which would provide both flexibility and a certain continuity for both institutions gave rise to two rarer forms of merger which perpetuate the corporate identity of both but still create a single controlling unit. Under one form, two schools interlocked by electing trustees of the one board to trusteeship of the other. In the other form a separate holding corporation was established that related in a controlling manner to the existing institutions. The specific nature of that control could be flexibly contracted within the strictures of state law.

Consolidation and acquisition were the models in mind for the decade; the other two remained obscure. Material on a number of the cases is now available elsewhere, but more is retained by this researcher in confidence. Therefore, without retelling each story, the rest of this section discusses how the models of the 1970's met the needs of their institutions.

Most striking by fact and implication from the available material is a sense that consolidation may have been discussed, but most frequently it was acquisition that happened, or there was no merger at all. There is no survey giving legal form for mergers during the decade, but if names have symbolic value during merger — and they do — it may be significant that few of the private college mergers found new or combined names. Many of these mergers were arranged in lieu of closure for a weakened institution, making it logical that one institution would thus lead the way. In other cases, however, there was no great financial compulsion on either institution. Here friendly openers implying a consolidation of equals often developed into collegial enthusiasm before exact relationships were discussed. One pair even had enough mutual faith to combine a number of their administrative operations before these "details" were resolved. When an accommodation could not be reached, they faced the demoralizing task of undoing the hard work and starting over on their own.

The consolidation model provided for equality between institutions, but its flaw lay in its legal simplicity. It could not in itself determine how real differences would be treated within a new institution. Boards needed more assurance before signing over their property and trust. Consequently, when the difficult questions of control, identity, mission, property, and prestige were finally engaged in concrete terms, the concept of equality gave way to perceived dominance by one partner. Any such sentiment was sure to end negotiations predicated on equality. As a model under which roughly equal institutions could voluntarily combine, consolidation did not prove very workable. Disillusionment and cynicism often were the price of the effort.

Where one institution was clearly in a weaker financial position from the outset, discussions usually began in terms of acquisition. The need of the weaker institution was to perpetuate its mission and traditions. The stronger institution usually sought opportunity for program diversification, bargain facilities, or control over local competition. Any preexisting relationships encouraged the process. Many of these acquisition contracts were elaborate, representing the buyers' use of bargaining position to achieve favorable terms at lowered risk (see Chambers, 1981a). The achievement generally was good for the stronger place and better than nothing for the weaker one, but seldom brought a positive sense of excitement to the new academic community.

Not all of the acquisition attempts succeeded. Some failed from "shock" when the broad constituencies had not been prepared to think of their institutions in terms other than insular. Others failed because benefits anticipated for the stronger partner could be achieved with fewer encumbrances by acquiring selected parts of a closed institution. Leasable property, transferred students, alumni records, and particular programs were items to be so attached. Here also failure to merge left bitterness and a diminished sense of academy.

The well-discussed case of Hamilton and Kirkland illustrates the problem of trying to arrange merger when working between two inadequate models, the one offering unspecified equality and the other characterized by hard-bargaining dominance. Originally Hamilton had established Kirkland as a coordinate college on property it had provided, with financial backing that eventually equalled roughly one-third of Hamilton's endowment. The schools differed in style and *esprit* but kept reasonably parallel programs. When Kirkland faced a financial turning point in 1977, fears concerning its identity made even the consolidation model barely acceptable to Kirkland's board. They wanted assurance that the essence of the Kirkland experience would not be overwhelmed. Early phrases about "consolidating" the schools gave Kirkland belief that this was to be the legal relationship. Since Hamilton did not feel it could continue to underwrite the Kirkland experiment, however, its geographic and financial leverage indicated acquisition. A shocked Kirkland board came within one vote of lawsuit before it bowed to Hamilton's *de facto* financial control. Here neither the consolidation model nor the acquisition model provided the particular arrangements which could bring both sides wholeheartedly into support of a combined institution.

The other two models of the 1970's deserve attention because of their potential. The holding company designed for Colgate Rochester-Bexley Hall-Crozer Divinity School (now in company with St. Bernard's Seminary) originally came about because canon law required a separate board for Bexley Hall when it left Kenyon College in Ohio, and Pennsylvania's non-profit corporation law suggested continued incorporation in that state to preserve Crozer's assets. Both seminaries sought to relocate in New York in the ecumenical hope that Protestant denominations could be better served if they educated their ministers together. Consequently, the detailed contracts which specify the control retained by each constituency board were based on necessity more than on desire.

Under these circumstances, the only major drawback of the holding company design has been a certain scattered focus at the board level which makes it difficult for the institution to draw fully upon the strengths of its trustees. The advantage of the form is its ability to preserve prior identities under close cooperation using separate contracts to specify the needed relationships. For special circumstances that required equality, given commitment to be both distinct and combined, the holding company arrangement has worked.

The interlocking directorate was invented to meet need for great speed when the Parsons' School of Design faced imminent closure in 1970. There the device served as a substitute for acquisition, with all members of Parsons' board resigning in turn to be replaced by members of the New School board. Whether used as a substitute for acquisition or for consolidation, however, the model presents clear advantages: minimal initial risk to either corporation, a chance to retain valued identities and their financial legacies, and legal simplicity. After a decade, the weaker partner in this merger has become the strong half, and the only drawbacks seem to be some mild confusion over identity and duplication in external reporting. Yet despite its flexibility and other advantages, the interlocking directorate model has not been undertaken even where recommended for other settings (Levy, p. 250).

Implications of Merger in the 1970's

This review raises questions about the spirit in which merger negotiations were undertaken during the 1970's and whether merger can be used any more effectively or creatively for a decade predicting more serious decline. Even if allowance is made for how little was known about college merger, the pattern which emerges is an odd one. The rhetoric of the decade was full of inter-institutional cooperation, but models that suggested equality between institutions had little success. Consolidation proved largely unworkable. The holding company succeeded only where there were circumstances atypical of the academic world. The interlocking directorate was not used to bring institutions together on a roughly equal basis despite clear advantages for doing so.

There is no sure evidence, but perhaps presuppositions about what merger meant or the sheer difficulty of frank talk under threat kept academics and their lawyers from being more inventive. Perhaps the atmosphere of early decline set a somewhat Gothic stage for negotiations, forcing institutions to see themselves as winners (for now) or losers, as buyers or less fortunate sellers overseeing the beginnings of institutional demise. Or perhaps a view of trusteeship as fiduciary to individual institutions, rather than to the public at large, may have conditioned the parties to bargain in terms of existing entities, rather than to consider that the good of the public might best be served by new ones. Regardless of the reasons, the prevalent atmosphere was one in which dominance became the issue. One can speculate that such tensions may have had to be resolved symbolically through takeover before a new institution could emerge.

Our system of higher education is moving into a period of change as sharp as any in the experience of its senior statesmen, a period in which many institutions will be diminished and many more will be forced to merge or close. This reality once again promotes the view of merger as institutional disaster so that merger attempts between equals will continue to face the dangers of dominance thinking. Yet if the mood of higher education can shift to one of gallows camaraderie, perhaps institutions will achieve merger both in spirit and in new forms that can accommodate real differences in order to build strength through balance.

Innovations in the Early 1980's

There are signs that some institutions are now beginning to view merger as such a mutual opportunity, much as Case Institute and its neighbour, Western Reserve, did in the 1960's. There the presidents of two regional schools saw that neither institution was going to find resources to fulfill dreams of eminence, and in fact that growing competition between them could diminish both institutions. By literally "taking down the fence," they made possible an institution of first regard. In somewhat the same spirit three contemporary merger attempts have shown willingness to invent forms more suitable to mutual benefit. Their experiments provide models instructive for their weaknesses as well as for their strengths. As such, although they will not all achieve merger, they may contribute importantly to future attempts to move beyond issues of dominance to creation of stronger merged institutions.

The first model amounts to a multi-step merger combining concepts of the holding company with those of consolidation. A University of New England Federation was established as a new corporate entity in Maine to which boards of Nasson College and the University of New England, by mutual agreement, were to transfer permanently control of various institutional operations one at a time. This gradual process was to occur over several years as each operation (and the boards) readied for each shift. When all major aspects of the institutions were thus brought together, the original boards would transfer operational responsibility to the federated university. Until such time as the Federation became a merger, each institution would have the right to withdraw, subject to a number of limitations and six month's notification. It is important to note that commitment was to be firm each step of the way, and that the separate contracts were to represent natural progress toward a new institution. The atmosphere at the outset was one of good will and cooperation, perhaps in part because risks could be undertaken one at a time under specific contractual protections.

Progress was made and working economies had been achieved when one of the institutions found itself pressed into Chapter 11 bankruptcy proceedings. The fact that the other school remains unscathed is evidence of the robustness of their invention in the face of difficult circumstances. To date, status of the Federation remains unresolved.

A second experiment is taking place at the opposite end of the country, in Florida's public system. There the University of West Florida, an upper division institution, and Pensacola Junior College, both located in the most western reaches of the state, are hoping to find means for a combined future. The institutions are part of Florida's "two plus two" arrangement for public higher education which supervises, under separate state governing boards, the open access traditions of the community colleges and the quality-building emphasis of the universities. The five campuses in this case represent nearly all the post-secondary opportunity in a region whose relative importance to the state is diminishing. Any significant improvement in the level of service must be achieved by craft and compromise, those same strictures which are prompting voluntary merger of equals in the private sector. The task will be to rationalize in institutional form the two differing missions and to design acceptable mechanisms for their support. Structure here will have to be fresh and totally suited to the governance setting. Consequently, merger by any of the prior models available, even as interpreted for the public sector, will be inappropriate. The model ultimately developed here may be one of semi-merger, one where program strengths combine while control over funding and governance may have to follow a unique dual pattern.

The third experiment is the one that was undertaken in Connecticut. The Commission there proposed what amounts to a two-step merger of the University of Bridgeport and the University of New Haven. Corporate control was to be voted first to a neutralized holding company comprised of sets of trustees from the original institutions balanced by several outside people. That board was to be empowered to decide and act to establish details for the ultimate corporate form of merger. Its responsibility would be to the needs of the new institution within a complex of constraints represented by the existing ones.

The model is unusual because it formalizes the need in some settings for boards to make firm commitment to merger at an early point in time and to undertake the hard work of it themselves. This role is not unique. Informally it has been practiced elsewhere by coteries of trustees willing to take blame for the hard decisions in order to launch a new institution. There was also a very practical need for such a mechanism in Connecticut. The labor, regulatory, and financial problems were sufficiently complex that those who would establish the details of merger needed great flexibility in their power to make commitments. If actual negotiations with creditors, unions, and state and accrediting officials left no reasonable path to merger, the holding company could dissolve itself in favor of the original boards which would continue to manage the institutions on a daily basis.

In Connecticut, as was so often true in the 1970's, the preeminent issue turned out to be control, even though the attempt originally was to have been between equals. The Connecticut model faced this issue at the outset by requiring a neutralized holding board. Calling the question so early may have contributed to rejection of the model, but it also saved permanent disruption of the institutions involved. This approach, therefore, may have value for settings where only a merger of equals is acceptable and where any merger is still a long shot, lacking either external compulsion or internal momentum.

Conclusions

The emerging models of the 1980's are models premised on collaboration rather than dominance. They start with a concept of equal standing, as did the consolidation model, but seek mechanisms to avoid placing conflicting aspects of the prior institutions rawly into juxtaposition with one another. If merger of equals is to be more successful in the next decade than it was in the past, it may be so in part because of the spirit and freedom of form, though perhaps not the specific forms, suggested by these current experiments.

Chapter II

Steps Toward Merger

Overview

The preceding chapter gives hope that the spirit with which college mergers are undertaken during the next decade will differ from that which prevailed in the 1970's. Even if current attempts to unite institutions as equals prove as ephemeral as consolidation did, however, it would be helpful to those considering merger to know what factors exerted a positive influence on these merger decisions. Hence this chapter takes a more analytic look at the characteristics of institutions that chose merger and what they sought under differing circumstances. It suggests from case evidence factors which can either encourage a merger or prove major stumbling blocks along the way. Together with the case illustration of the next chapter, this analysis should offer an initial understanding of the process and an appreciation for its vicissitudes.

Choice Points for Potential Partners

This section summarizes the period of approach in order to identify the types of choices which contribute to a merger decision. The decision is one of mutual choice arrived at through a process that involves different options at different points and hence a series of influential factors. Pairs of institutions which reach merger are distinguished by having both institutions in the pair pass through every choice point in a manner favoring union with that particular partner.

An institution's initial choice is whether or not merger of any sort could be desirable. The relatively strong institution may be considering several ways to achieve its programmatic goals: building programs from within, leasing or buying facilities and hiring faculty, or "buying" these things through various forms of cooperative agreement, merger being only one such option. The financially-troubled institution, on the other hand, faces options which include sticking with the status quo (to bankruptcy if necessary), reorganizing under Chapter 11 proceedings, closing in order to distribute funds, or finding some form of extended life through cooperation with other institutions, one such option being merger. In either case the willingness to seek merger partners reflects an initial choice among institutional options.

If merger is considered a permissible option at this earliest point, institutions scan their region for desirable candidates, informally ranking fellow institutions in an attempt to identify a pairing suited to their objectives. The choices made now commingle characteristics which institutions find desirable with uninformed perceptions about possible partners. A choice is revealed in overtures by one institution to another. If response is positive enough to continue exploration, the institutions indicate that in its first light such a merger seems as desirable or more so than other strategic options or other possible merger arrangements. Parallel negotiations may be undertaken with other institutions, but at least for this pair there is now a yes/no decision to be made.

Early negotiations typically enter a discovery phase exploring feasibility as much as desirability. Prior to this point, the institutions have scanty information about one another and have developed little detail about what it is they might be able to do together. The desirability they have sensed must be confirmed for them through an exchange of information and the discussion of possible benefits that could be brought about by merger. Failure to develop an exciting list of possibilities, or surprises about financial conditions or quality can lead to disengagement. If sufficient advocacy remains after this initial exploration, however, the institutions examine legal, physical, and financial constraints to see whether plans can be carried out as envisioned. Feasible routes may no longer permit the features which made the idea desirable in the first place, with the result that negotiations will be reduced or dropped.

If a new institution which is both feasible and supportable can be envisioned, the institutions will enter formal negotiations. They now bargain with other parties which hold veto power over the plan: the creditors and the state. Arms' length negotiations with these parties and between the institutions themselves must result in points of agreement concerning the tangible and intangible aspects of the new institution. These discourses can also reveal points of disagreement which have been glossed over in an attempt to get negotiations this far. Aside from these oversights, factors important at this stage seem to be constraints imposed by the eleemosynary status of the institutions, and financial and risk guarantees for the creditors. Failure to negotiate a specific contract which remains desirable to all parties will lead to the choice not to merge.

In order for merger to take place, then, this full set of choices must be passed successfully with the likelihood of merger improved by different factors at different points. The next section suggests that these factors can be found in the nature of the decision itself.

Elements of a Responsible Mutual Decision

Voluntary college merger occurs when the leadership of two institutions reaches a responsible mutual decision that a merger will ensure the best available future for their respective missions. This sounds like a truism but contains to a large extent the features that count in arranging such agreements.

First of all, merger results from a very human act of assessment, based on fallible perceptions, estimates, and comparisons. The cast of participants varies according to the governance patterns of an institution, but ultimately such redirection of institutional resources requires a "board room" decision. Although board debates are not widely available as case data, some that are indicate that a strong leader controlled the direction of the merger attempt, usually the president but sometimes a powerful trustee or donor. Boards of trustees are unlikely to change leadership precipitously in order to force a merger and are unlikely to impose one on the very person who must negotiate its success.

Rather than focus attention on how a new institution might evolve to serve the needs of the public, leadership seems to dwell on present conditions at the two institutions under consideration. This single-institution focus overlooks the more appropriate reference point (a changed new institution) and brings comparisons that at their worst dissolve into issues of dominance and at best create a "courtship" atmosphere that does little to build new strength.

The habit of comparison is reinforced by the fact that factors most important to a merger decision are relative ones, such as differences in financial strength. Moreover, certain characteristics can make merger attractive to one party but unattractive to the other, so that agreement is more likely when these are somewhat balanced: faculty of the same general strength, property of similar value, etc. These balances for a particular merger agreement are then compared with opportunities for a separate future and all other possible mergers. The result is an array of comparisons using sets of present relative values.

What is "best" for colleges and universities in major institutional decisions, at least, seems determined by the nature of the board's public trust. There is evidence that merging boards reflect cautiously on this legal responsibility. However, their considerations confound actual educational accomplishments with perceptions that the academic community habitually discusses in terms of "reputation."

Reputation serves as a vague but useful summary of both past service and future promise. In merger negotiations a comparison of reputations seem to provide quick reference for the risks involved in joining another institution and the basic worth of the undertaking. Perhaps this explains why vaguely perceived differences on this point can become so important that they dominate debate and even determine merger form. Reputation of a new institution will depend on the reputations its predecessors have achieved and on the mechanisms used to transfer "good will" forward. In cases where two schools are already closely associated, as in coordinate collages, the reputation of the one already reflects on the other. Where two institutions have not been associated, however, a large difference in reputation may serve to block merger, possibly by dictating specific purchases that would minimize association with the "lesser" place. On the other hand, where reputations are balanced, the successor will be better off preserving both identities, which in turn will make merger more likely to occur.

Aside from reputation, there will be issues that focus more directly on an institution's ability to perpetuate its mission: comparisons of general ambience and academic aims, resources available for their support, efficiency in the use of these resources, and risks involved in the venture. Conflicting missions would argue against merger, but "mission" is almost impossible to define. For private institutions it can have as much to do with religion, single sex emphasis, or ideology as it does with particular academic offerings. To preserve one aspect of mission, institutions often sacrifice another, especially when arranging merger. Denominational coordinate colleges adopt coeducation to preserve a particular religious emphasis. Or a religious order may continue to teach liberal arts on its campus after becoming the branch of a secular university. Unless institutions limit their options to nearly identical partners, the need for such compromise is clear from the outset and provides a major point of concern and accommodation.

Similarities or differences in academic programming have quite different effects, perhaps because these aspects of mission establish the basic operating units for each institution. Here similarities which suggest mutual acceptability may mask distinct philosophical differences (research versus pedagogy, methods of professional preparation) or set off fierce department-based debates over the protection of jobs and "quality."

If general mission and program can be accommodated in an agreement to merge, there will be more resources available for them jointly than either institution had separately, a form of instantaneous growth that provides one of merger's major seductions. But such benefits can be illusionary. The first problem will be one of measurement. Two important measures of institutional resources cannot be captured through accounting figures alone: net market worth of the physical plant and the size of any endowment that may remain effectively unencumbered. Hence the most reliable estimate of funds available for educational purposes may be the past year's Current Fund income corrected for plant maintenance, debt service, and other mandatory transfers and for unfunded financial aid. Income available may turn out to be far less than anticipated, especially given the high fixed costs of running educational programs. A less obvious problem is again one of balance and comparison. If both schools are financially weak, each would be better off finding a stronger partner and consequently will not be overly pleased with the one at hand. And if one is stronger than the other, it may wonder about diluting the strength it has. Despite their logic, such second thoughts often emerge late in negotiations, after happy plans have been set in motion.

The frequent panacea for such doubts is an assertion that improved efficiency will compensate, that there will be "economies of scale." The surest savings are thought possible through cuts in administrative overhead because academic cuts are exceedingly sensitive and difficult to estimate. But where costs are largely variable, as in the processing of student records, there will be little room for savings. And where administrations are already lean, all hands will be needed to effect the merger. Ironically it is the poor institutions that are most intrigued by the prospect of economies. Only where a relatively high proportion of the pair's income is devoted to administration can merger provide opportunity to thin that ratio. Actual savings will result only if merger can also supply a strong will to do so.

A related factor that proves essential by the end of negotiations is an estimate of the new institution's ability to maintain credit. To be acceptable, a merger plan must renegotiate or meet specific conditions in existing loan agreements and assure a line of credit. Although myriad protective arrangements can be made, merger is most likely to achieve creditor approval where it makes debt service reliable. This will be true where joint debt service can be kept to a relatively manageable proportion of total available income.

The final important element in a merger decision appears to be risk and each board's capacity to accept risk. Many of the risks of merger are implied in the matches and mismatches discussed above, but many more cannot be fully anticipated or measured. "Feasibility studies" are ardently undertaken but fail to provide a full survey of possible problems or any reasonable estimates of the chances that they will occur. This means that boards considering merger even under the best circumstances have both risk and uncertainty to contend with.

Because of the trust relationship, these boards normally are not great gamblers. Where neither outcomes nor their probabilities are known, uncertainty adds to this already conservative slant, making it harder to choose a risky venture, such as merger. To illustrate, a growing institution with capital and a relatively adventurous leadership may still choose the higher estimable costs of building needed facilities to the unknown repercussions of acquiring a neighboring campus for debt. Hence the actual risks of the venture may be quite distinct from the risk-taking capacity needed to accept them in the face of grave uncertainty.

In summary, merger involves an array of fallible but conscientious choices between the future as contemplated under a particular merger and that available to the institutions separately or in concert with some other merger candidate. Because merger is a joint decision, those futures can be compared most effectively through relative characteristics that can be examined for balance. The significant features appear to be differences in reputation, general mission, academic program, available income, administrative efficiency, and creditor approval. The relative risk of a choice and the board's capacity to accept such risk will also vary according to the array of choices faced by any particular institution. Little wonder that the decision is made more by feel than by fact and that debate circles back through previously resolved issues at each step along the way.

Growth and Retrenchment Purposes

If these are relationships significant to a merger decision, analysis of mergers from the 1970's suggests that mergers undertaken for growth purposes were encouraged by these relationships in ways quite different from mergers that sought overall retrenchment. Hence this section suggests that there will be separate negotiating purposes and results depending on the sort of match anticipated.

Examination of private college mergers of the 1970's by institutional type* has shown that those offering degrees at the doctoral level seldom merged with anyone and especially not with one another. Institutions with somewhat less degree breadth and depth, especially the comprehensive colleges, merged with even more restricted schools but not with one another. The highly restricted liberal arts colleges, the two year schools, and specialized places tended to merge with institutions in their own respective categories.

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*Using the 1978 Fadile and Thrift listing and the Carnegie classification system in use during that decade.

Because the breadth of degrees offered closely parallels financial strength in this industry, it is not clear whether this pattern emerged for financial reasons or for programmatic ones, but perhaps it was due to both. Case material suggests that it was necessary for at least one partner to be under financial compulsion in order for merger to occur. The key issue of dominance usually was settled on the basis of relative financial strength but was affected at the program level. In merger attempts that failed, weaker institutions found that they preferred continued weakness to such domination, often despite having no other viable choice. With these observations, the more interesting question behind the distribution of mergers by institutional type becomes how differences in relative financial strength translate into differences in programmatic arrangement under merger.

A similar classification of mergers by predecessor/successor types shows that many of the new institutions remained programmatically identical to their predecessors, while others appear to have achieved a degree of diversification by bringing together quite different offerings. The former suggest a form of controlled shrinkage, a retrenchment strategy to preserve the same kinds of programming. The latter suggest strategies seeking growth, if not in absolute terms at least in terms of change. In the earlier half of the decade, when two-thirds of the mergers took place, such growth mergers predominated. Later, perhaps as demographic realities brought a new sense of caution to the industry, there was a year with no mergers at all followed by a more balanced proportion of the retrenchment type toward the end of the decade.

The subsets constructed from this evidence suggest that merger motives were quite different, depending on whether or not the institutions involved sought growth. While retrenchment mergers tended to take place among smaller more financially similar institutions, growth mergers often resulted from strategic moves by stronger institutions to take advantage of conditions at weaker ones which offered attractions of some particular sort. The degree of difference in financial strength brought different responses throughout the merger process.

To illustrate, a strong institution probably compares the opportunity presented by any merger to opportunities to expand its current mission through increased plant capacity, increased geographic range, greater breadth in existing disciplines, or the addition of new disciplines. All this can be done incrementally with little danger to the integrity of the existing mission or to overall organizational life, but the rate of change will be slow given the enormous costs involved. Merger brings opportuity for more rapid change. Merger with an equally strong partner, however, would alter the probability that present mission and organization could remain intact. Therefore merger with an equally strong partner would represent a trade off between rate of change and control over the direction of that change.

Merger with a weak partner, on the other hand, still presents uncertainties, but in this case the dominant institution can assume continued pursuit of its own purposes. If those purposes mean strengthening existing programs, they could best be fulfilled through a slow process of balancing and building strengths in the disciplines, rather than by adding whole existing departments with their own internal weaknesses. However, if institutional goals give precedence to adding new programs that happen to include those at a weaker institution, merger may be the most efficient means if the price is right.

There are three results: In trading speed against uncertainty, a strong institution that chooses merger displays relatively high risk-acceptance behavior. Because of the further heightened risk, however, a strong institution will not merge with one equally strong but will seek weaker partners. Therefore wherever there is a strong institution in a merger pair, measures of difference in financial strength probably should be large and merger is made more likely if it offers program diversification rather than program duplication.

For a financially weak institution, the options represented by a separate future include at best a diminished ability to support current programs and at worst closure. Moreover the paths toward reincorporation, bankruptcy, and closure are even less certain than a carefully negotiated merger might be. What might be possible under a merger depends on the partner chosen, however. Merger with an equally weak partner suggests relative security for mission but continued financial insecurity. Merger with a strong partner offers financial security but risks dominance of both general and academic mission. An exception is where the weaker institution's offerings would bring diversification to the stronger partner.

Again there are three results: Because merger may be the least uncertain route for the financially distressed institution, it can represent relatively conservative behavior. Merger between strong and weak partners will be more likely where program diversification offers the weak institution some assurance of continuity, but the closer two schools are in financial strength the less likely it will be that program diversification will be important. Hence the occurrence of like-school mergers among the poorer institutions but lack of the same among richer universities.

Such differing results suggest that institutions should consider their circumstances and choose a basic retrenchment or growth strategy before reviewing potential partners. Both the features important for successful partnership and what each side will want will depend closely on the strategy chosen.

Attractions and Stumbling Blocks

It remains to suggest from these patterns what institutions in different positions may seek from one another through merger as they move into the next decade. Strong institutions will consider merger with weaker ones when they offer programs or perhaps facilities available otherwise only through great expense. Even then merger will be considered a daring venture requiring strong guarantees. An asset of importance to the financially weak school will be a good academic reputation. Weaker institutions will find merger an attractive option but will have to choose between becoming part of a strong diversifying institution or seeking like partners for retrenchment purposes. Once settling basic strategy, they will mentally sort partners in their same geographic region, with close neighbors serving as the most obvious candidates.

Weak institutions seeking retrenchment will consider most attractive those with similar academic programs and emphasis. It may be helpful to realize that such a partner will respond more readily where its own financial circumstances suggest merger and the board is equally conservative in its policies. The most important unexpressed concern, however, may be for association with an institution of equal or better reputation. Under these circumstances, there is good possibility that a school will overlook some partnerships on the premature assumption that mission differences cannot be accommodated, or worse yet that it will waste time and effort courting some prestigious neighbor. If its board considers ultimate closure better than joining with an available equal, it may be necessary to change strategy in order to trade a more acceptable association against the risks of acquisition. Attractive partners then would be those with complementary programs and financial strength. But it would still be unrealistic to assume that much would survive merger with an institution of far greater reputation.

Although more could be achieved in such preliminary steps, it is likely that an initial approach will be made at this point. For the retrenchment pair, talk of program and traditions will proceed without great difficulty on a general level but will find strong opposition among the constituencies. Department by department, fine differences in reputation will be voiced as a threat to "quality" even where all jobs can be guaranteed. As ground rules are developed and analyzed financially, the mutual security achievable may prove far less than the trauma is worth. Unless there is overriding vision to carry it, as the coeducation movement did in the 1970's, or present danger of closure, most retrenchment negotiations are likely to fail at this point.

Growth mergers have a better chance of making it through this period providing that the weaker institution has realistic expectations from the start. It will be easier to reach accommodation on mission by broadening board membership or offering appropriate guarantees than to accommodate unsupportable programs or property. Duplicate programs not only will be deemed costly but will be considered a threat to "quality" unless they are clearly superior to their counterparts at the dominant school. Complementary programs in fields that lack suitable prestige also will be dropped. The agreement that emerges will reflect the weak school's trade of viable programs, prestige, and any valuable property for partial perpetuation of its mission.

If they have not already done so in anticipation, pairs still negotiating at this piont will call in bankers, loan agencies, and accrediting bodies to review their plans. By this time they may be capable of using combined leverage to reach accommodations with these parties that will enhance their academic plans and financial stability. Differences that keep them from presenting a united front will undercut their ability to do so, however, as will an untenable financial picture.

In summary, the patterns of the late 1970's suggest that, whether schools seek retrenchment or growth mergers in the next decade, the most obvious obstacles will be differences in mission, but that these will also be the ones most easily overcome. Financial arrangements and the changes they require will largely be matters of necessity. More significant will be differences in reputation that pervade negotiations and probably more than any other single factor determine their outcome. Most of these stumbling blocks could be roughly predicted at the outset, but in practice are left to long process to resolve.

Chapter III

The Period of Study in Connecticut

Overview

The previous chapter suggests gross means for sorting out potential partners and identifying potential stumbling blocks to merger. The next three chapters show how institutions struggle with the influence of these factors when exploring a particular merger partnership. Material from the Connecticut case is used to illustrate the range of questions to be addressed in the period of study between overtures and final negotiations. Readers interested in depth of details will read the documents themselves in Chapter VI, using this chapter as history and Chapter IV as commentary. Others will be more interested in Chapter IV's comparison of the approach used in Connecticut with that used by merger attempts elsewhere. Emphasis throughout is on the unresolved question of how best to manage the study of merger.

Opening Steps

As explained in the introduction, the Connecticut universities had their period of study handled by a panel of outside experts. The University Merger Study Commission (document A-2) was to meet three times over six months. It would make recommendations on the basis of work done by a staff volunteered part-time from the institutions and directed by the commission's chairman and associate coordinator (this author), who would each come two days a week from out-of-state. Such arrangements virtually precluded the type of extensive study done for Case Western by the Heald Commission (ten full-time staff, $400,000 in funds and several years' time) or the broad constituency networks which have studied merger feasibility in other settings. Such arrangements would also have isolated the commission from people within the institutions. With these conditions set, the commission began its work early in November of 1981, months after initial discussion of possible merger as equals. As the work of the commission proceeded through May of 1982, staff work would be redirected and challenged by decisions made at each of the commission's three formal sessions.

Beginning in November, the chairman's team received a large amount of background material representing early thoughts of the university presidents. This had been refined by a series of one-day consultations into a preliminary model reflecting the presidents' brief acquaintance with one another (document A-1). In the month preceding the first commission session, the team set its course in terms of the resources available and worked through background material to gain an objective quantitative sense of each institution (documents such as B-1 and B-2).

At the commission's opening session on December 10th, the data available suggested geographic, programmatic, and sociological complementarity. This meant that there would be both opportunity and difficulty in bringing together places that seemed alike in many respects but that were very dissimilar in detail. It also became clear from early analysis that both places were fiscally vulnerable like many other institutions, having borrowed against all tangible assets and acquired liens on revenue as well. The fundamental question facing the commission would be: can these two institutions form an educationally viable whole and can they survive doing so given scarce resources and the possibilities of worst luck. The approach to these questions would be iterative, calling for the team to develop a broad range of merger-related possibilities, then to refine their inquiry as more information became available about the institutions. The commission's basic criteria for narrowing choices would be: 1) that a plan help the institutions do better educationally together than they could do apart; 2) that the various constituencies of the universities be able to "come aboard"; 3) that the plan represent natural evolution of each school's history; and 4) that it be legally and financially workable. In reaction to three early prototypes for merger (document C-1), commissioners favored an institution designed to include strong emphasis on the liberal arts while continuing to meet regional need for technical and professional training.

Fact-finding

The commission's first request was that its team learn both institutions thoroughly and understand them squarely as they stood in the present, by meeting with people to find out what lay behind the numbers. A period of extensive interviews began with a decision to explore the UNH campus most thoroughly, since the team's offices were based in Bridgeport and their sense of UB was that it operated in fairly traditional ways and that internal documentation was available. UNH apparently was much more of a "bare bones" operation. A series of interviews on that campus brought the conclusion that UNH had a non-traditional managerial style focusing on short-term financial adjustments, and that these resulted in predictable campus concerns but annually balanced the budget.

In the interview process the team asked each constituency to consider what it might be able to do together with its counterpart which could not be done separately. This question required meetings to make acquaintance. Some had taken place prior to the team's arrival, but a surprising number of people did not even know who their counterparts would be (the team actually needed to distribute organizational charts and phone numbers). The resulting introductions were characterized by questions of "turf" and dominance at the outset, but in some instances evolved toward possibilities of cooperation. The general tone was: "Merger is ok, but there will still have to be two English departments." Reports received of this process helped convince the commission that there was social distance between the institutions that could not be overcome on a grass-roots voluntary basis. This perception in turn helped determine what form of merger would be recommended as workable.

At the same time, the team met in long session with the two presidents, apparently one of the few times in which they had sat together to talk through the possibilities presented by merger. The team found little shared insight, with most of the thinking being incremental, a process of physically rearranging existing units into a federation of parts. This also served to emphasize the distance between the schools and the question of whether a cohesive and well-focused institution could result from an evolutionary process.

During this period, the team also contacted state officials and accrediting agencies which would be evaluating results of any merger which took place. They worked with attorneys on legal forms possible within Connecticut law and constrained by the labor situation (a number of conflicting unions and a faculty at UNH in the process of Yeshiva hearings). They contacted other educators in the region and various community sources, began detailed work on enrollment projections for the separate institutions and for a combined institution, and set up various approaches for costing merger.

Preliminary Design

In reflecting on the interviews, the team was convinced that the missions of these schools were far more alike than different and that they could improve together educationally in ways neither could accomplish on its own. At this point the team began to consider various forms of organization that might support a specific mission: to provide broad flexible access for training people and offering service across the southern Connecticut corridor, a mission which seemed implicit in the history and workings of both places. They considered a number of organizational arrangements and schedules for bringing about such an effort and then sent a proposal for gradual merger through federation to the commission for review (document C-2).

The problems focused upon at the commission's February session included: labor issues, newly announced cuts in federal financial aid, preliminary enrollment projections, estimated merger costs, the two-campus distance of 18 miles and the even greater sociological difference between the constituencies at all levels, the fundamental similarity of the two institutions, and the natural complementarity of UB's residential focus with UNH's skill and adaptability in providing a broad range of services to the region.

A number of important decisions were reached by the end of this session. The commission concluded that both these institutions needed to merge if they were to ensure the future of their mission to the region. Discussion that focused on UNH's financial and personnel situations reflected the team's proposal that merger be undertaken as a two-stage process, allowing at least a year's delay for some of UNH's uncertainties to be resolved, possibly by a clear worsening of position. The commission rejected this approach, feeling that delayed or partial steps would be insufficient to the need. Instead it favored the institutions' moving to merger quickly and completely lest they shortly be unable to do so at all. Finally, these conclusions were considered dependent upon additional data concerning labor issues and detailed financial projections for this specific approach.

Final Recommendations

At this point the team became increasingly concerned over questions of leadership and form for the new institution as it would evolve and questions of mechanisms which would get it under way. After polling the commission, the team settled on the basic recommendations embodied in their lengthy staff report (document D-1) concerning educational goals and structures for launching the merged institution, a document which brings together the wisdom of the commission with the work of the staff. This document was augmented by legal analysis, cost information, and *pro forma* financial statements (documents D-3, D-4, and D-5) illustrating risks to the institutions separately or merged, should "worst case" misfortune follow a merger decision. Sudden news at this time announced an unexpected deficit at UNH in excess of $1 million, forcing last minute rethinking of the commission's work (document D-1) and a revision of the technical reports.

The commission's final session in May focused on problems represented by the UNH deficit, the labor issues, and "worst case" financial estimates. The commission considered the financial analysis to be unreasonably cautious even for a worst case because the new institution would draw broad sources of support if care were taken to develop its potential. In a second important decision, the commission chose to offer a minimal statement so as not to tie the hands of those who would have to negotiate actual merger results; its report would consist of essential recommendations drawn from the longer staff document. A third major decision was not to recommend acquisition by either school despite its simplifying aspects, because doing so would limit the new university's ability to truly change, devastate morale at the acquired campus, and discourage the *esprit* made possible by genuine academic statesmanship.

Reaction

The fourth stage of the commission's work involved revision of documents for quick release to the universities. A full set of documents was given to the presidents and a selection of key documents was presented to a group of board and financial officers (see document E-2). The executive committees and full boards were to receive whatever information the presidents agreed to share with them. Summary documents were made available to the public at large (documents E-1, E-3, E-4).

The commission's recommendation to merge quickly and thoroughly, with the concommitant requirement that power be put in the hands of a holding board, surprised some. Response was colored by the very recent deficit announcement. UNH felt that whatever was reasonable should be pursued. At UB, however, the leadership seemed disturbed by the requirement that this remain a merger between equals.

Having made presentations at a series of meetings on both campuses and with groups from both boards, the team found no good mechanism for helping the institutions work through their mutual questions to some next point. What followed was a period of distrust, comparison, and misunderstanding as the distance of spirit between the two campuses made itself felt. The commission's recommendations remained under study until fall (document F-1). At that point the president of UB circulated a study demonstrating UB's relative strengths and implying that takeover would be the form of merger most workable (document F-2). UNH responded that since "Bridgeport's vision of the new university differed greatly from our own" it would now pursue a solely separate future (document F-4).

Because merger did not take place here, the case offers no easy blueprint. But its very lack of success leaves room for generalizations that may be even more useful in other settings. The next chapter pursues the question of what must be learned in order to know if merger between equals is feasible and whether or not it can actually be brought about.

Chapter IV

Managing the Period of Approach

Overview

Case experience suggests that presidents handle the period of merger study instinctively, according to a mixture of their personal style and their academic background. The political scientist may see merger as a problem of power distribution; to the anthropologist it may mean construction of a new community; for the humanist it is perhaps a leadership issue; for the manager, a chart of chances; and for the educationist, a question of first purpose. These instincts inevitably influence the choice of issues to be studied and resolved during the period of approach. They can also produce blind spots. Setting aside any debate over academic theories, this chapter critically compares the approach used in Connecticut with that used in other settings in order to outline the range of questions to be addressed: questions of mission, advocacy, and feasibility. The issue of advocacy is given special attention here because it remains least evident in the Connecticut case material. The major question posed by the chapter is how to balance these concerns, given the inclinations of the personalities involved, their talents, and the time available.

Finding the New Institution

The team working in Connecticut felt that a college or university first of all is an idea that constitutes a distinctive public trust, and that constituencies participate in such an idea according to their perspectives and abilities, working out its forms through debate over the details of academic life. In a takeover, this issue presents no problem: those invited to join the stronger institution adopt its ideas and its forms. To make a new institution out of pre-existing equals, however, requires that an idea be found which can be held in common, one based in the histories that have inspired two institutions to the present. Once articulated, this idea may itself suggest appropriate forms, structures, and governance and financing patterns.

The strategic question is whether to address these issues at the outset of merger negotiations or to let them surface as they will in the process of bringing the institutions together. An institution's actual mission is usually more implicit than what is found in its formal mission statements. Those intimately involved understand it viscerally. Because these feelings are embodied in the workings of an institution, however, negotiations can stick on seemingly petty details that actually represent significant points of departure between two views of education. In one case, for instance, difficulties over the balance of representation on a new faculty senate reflected serious questions regarding academic thrust. Likewise, arguments over board composition can be arguments over philosophical direction. As a practical matter, board leaders can list all current trustees who should serve on a new board to ensure its strength. But it is the balance between their perspectives that is at issue, the problem of which idea will have most influence.

Sooner or later, in one forum or another, issues of vision will be joined. The commission's approach in Connecticut was to suggest a common basis for the new institution at the outset, in hopes that first principles would help clarify the myriad debates which would follow. This ordering of affairs was articulated in the lengthy staff report and later embodied in recommendations that would establish a neutralized board to set mission into basic structure before requiring the constituencies to design its details.

This procedure was in marked contrast to approaches taken elsewhere or to the original approaches used by the presidents in Connecticut. Their early designs spoke of rearranging academic components like building blocks, according to the dictates of facilities and demand. Such a simplifying approach comes to mind in the first approximation of what merger might mean. More fundamental concerns surfaced, however, when thoughtful constituencies were asked to consider change: there were central differences concerning the liberal arts, the balance between research and teaching efforts in different units, outreach versus residential focus, adjunct versus full-time faculty, and degrees of centralized control. Design *ad hoc* from existing units helped to build early enthusiasm but threatened to leave the work of merger dangerously undefined.

Evidence from the Maine and Florida attempts to merge as equals shows a similar tendency to let the issue of mission be handled along the way, but for somewhat different reasons. Problems of mission seemed relatively unimportant at the outset for the

University of New England Federation, perhaps because similarities in their liberal arts programs required little adjustment of ideals. In the Florida case, however, the question of "why one institution?" will not be answered without first articulating differences of mission that exist between Florida's community college system and its universities. As a convenience, the rhetoric is being amply supplied by advocates of these separate systems. The temptation, however, is to marry rhetoric while letting more fundamental differences emerge through constituency debates over form and control. If the differences of mission actually are not so great for this particular region of Florida, as seems the case, they may be resolved at a mechanical level. However, doing so may delay the process, as the same debates are taken up repeatedly in different quarters.

Two other cases offer insight into how issues of mission might be managed. The first is set in the unusual circumstances through which Rochester Institute of Technology acquired Eisenhower College. R.I.T.'s leadership believed that applied technology and pure liberal arts could inform one another within one institution. When the excellent World Studies program at Eisenhower became available, R.I.T. hoped to challenge its existing disciplines precisely by juxtaposing such broadly differing concepts. In the process, R.I.T. would bring within itself debate on the relative roles of the arts and technology in a society dependent on both, with the possibility of creating a curriculum of particular significance to our times.

This vision seemed in place from the beginning in the thoughts of R.I.T. cabinet members. It was taken up by a committee of faculty from both institutions charged with designing curricular change. The ultimate failure of this merger – Eisenhower is now closed – probably was due to licensing restrictions imposed by New York State which prevented program movement between campuses in the interest of protecting other institutions from competition (Chambers, 1981b). The liberal arts program remained in forced isolation some 55 miles from the main campus, and a daily exchange between the disciplines could not work as hoped. Perhaps if the power of this idea had been articulated fully at the outset, opposition by local institutions might have been overcome in the interest of creating a distinctive institution, one which would compete not in its similarities but by its differences.

Then there is the report of the Heald Commission for merger at Case Western entitled *Vision of a University.* Convictions had moved events quickly into formal agreement that left the institutions lashed together at the top without articulation of why this should work. The Heald Commission eloquently provided answer. According to its witnesses, that merger is still under construction. But its unparalleled success to date may lie in its having early and always at hand such thoughtful expression of a vision that would allow resolution of differences in the interest of a better future.

Perhaps the answer that suggests itself from these examples is that mergers are made most workable when the best minds available within and without the institution turn early attention to mission and articulate it fully at the outset, not as an exercise in rhetoric, but as a means to drive the whole. Especially when other tasks cry out more loudly for attention, the new institution's *raison d'etre* cannot be postponed. If it proves difficult to find, this in itself may signal an undertaking with little of the merit needed to endure.

Advocacy

Besides having reason to merge, institutions must have people at all levels willing to make the effort. Getting conservative boards to give up the *status quo*, for example, can require inspiration, preparation, and a push from behind. At Case Western, early vision of combined strength benefited from increasing coordination between the institutions, but merger did not materialize until there was strong suggestion by major funding agencies that the institutions "get their act together." Yet even under such ideal circumstances, mergers consume presidents if the focus of advocacy remains in that office. It must spread upward through the board and be believed within the institution. A powerful trustee in Connecticut asked of merger there: "Who wants it? Who will do the work?" The importance of these questions is given special emphasis here because they figured less prominently in Connecticut than they should have and perhaps provide the key to failure to reach merger there.

Advocacy at the board level is easiest to achieve when a clear present danger requires board action. In the current Florida attempt, the region's decreasing political strength and a short-changed university budget signal need to strengthen the two institutions in Pensacola. But it is the possibility of Pensacola's university being made a branch of another state university two hundred miles away that has validated the threat. Moreover, any strategy strengthening Pensacola's university by adding to it a lower division would weaken the community college there. Under these circumstances, community leaders have urged a combination of resources, and the work of merger is being done by board members and campus groups alike, all powerfully chaired by the local state regent. The role of the presidents has been to guide the process and to provide administrative support.

Survival issues such as this can move boards. An even clearer case of board advocacy occurred when Milwaukee-Downer College found its campus vulnerable to an act of eminent domain serving expansion needs for the neighboring public university. When it became clear that the institution would have to find new quarters, board members managed the merger project themselves. By taking this much responsibility, they made sure the presidency would not be vitiated by hard, necessary compromises, but could begin merger with Lawrence University in good standing with the campus constituencies (Howard, 1980).

It also helps if board policy has already covered the ground represented by a merger. Three years prior to overtures from Wethersfield Law School, the University of Bridgeport had concluded a study favoring establishment of a law school but finding it too expensive an undertaking. When Wethersfield asked only for minimal financial commitment in order to come aboard, quick board action was possible. Where this kind of preparation has not taken place, however, otherwise attractive and even necessary action can be defeated in the boardroom. Cazenovia Junior College and distant Bennett had quietly worked out terms of merger with the help of an outside consultant, but in presenting the plan found that their local boards were unable to act on behalf of a new merged institution that seemed alien to them (Moon, no date).

The Connecticut case illustrates how problems with board advocacy can compound themselves to stop a merger attempt. Threats of decreasing markets and increasing competition from the public sector moved the Connecticut presidents but remained fairly abstract to some board members. Habits of adjusting to fiscal reality made the UNH board receptive to recommendations that suggested a safer, broadened future. For the UB board, on the other hand, discussion of retrenchment strategies did not fit well into an agenda filled with fundraising plans and international visits. It is telling that neither board was fully apprised of the commission's work and that neither president drew up lists or assigned names to enlist trustees privately in the cause during the period of study. In Connecticut, then, among other difficulties, the merger attempt lacked the atmosphere, the depth of acquaintance, and the sense of compulsion needed to succeed at the board level.

Presidential advocacy is thus as important as board advocacy. Presidents are the gatekeepers for a merger decision. Boards seldom will be moved unless their presidents push for such an idea. To the degree that presidents control board information, they can also effectively block merger in all but extreme circumstances. As the original locus of advocacy, they quickly become the representatives of opposition in cases where negotiations break down.

In this manner the presidents work largely on behalf of their institutions, but they are a very special constituency in their own right, with large personal stake in the outcome. It is essential that both presidents be made comfortable with the personal risks involved. Ambiguity can only undercut their support. In some instances career patterns or individual interests and qualifications indicate ahead of time the leadership decisions a merged board will likely make. Often an outsider/insider arrangement suggests itself. A clear takeover also settles the issue. But for merger of equals especially, the degree to which two presidents can candidly and comfortably discuss their personal prospects with one another signals the potential for merger success.

Advocacy on campus is another matter, most often characterized by its obverse. Several strategies have been used to manage it. Members of the Connecticut commission who were most experienced with college merger urged a strategy of early commitment to forestall opposition. This was the pattern followed at Case Western, though perhaps not the purpose. According to witnesses there, however, the resulting lack of planning caused millions of dollars to be lost in the early period and left problems which continue into the merger's second decade. Yet merger did take place there and has built an outstanding institution.

Another strategy is one which isolates sources of opposition and removes them, as the George Peabody College for Teachers did in releasing its liberal arts and music faculty prior to joining Vanderbilt University. This seems too harsh by half, however, and must ultimately diminish the merged institution's sense of community.

Yet another strategy is that of constituency involvement, a policy of open discussion as opposed to *in camera* settlement of affairs. By setting up elaborate committee structures involving all voices, campuses may build ownership for a merger plan. Organizational behaviorists have much comment about this approach, and it has been used in many settings with a number of notable failures. Its basic management problem is where to assign the power to decide and to what degree and at what cost can the power to discuss and inform be effectively distinguished from powers of consent. Drawbacks of this approach are that it can overemphasize short-term opposition, demoralize its participants if negotiations ultimately fail, and for the sake of internal advocacy can create an institutional camel, one no better than the pre-existing creatures and far less clean of line. Yet there are circumstances that require this approach. In Florida, for instance, it is felt that a case for merger cannot be made at the state level unless the constituencies themselves present a united front favoring it. Therefore, under guidelines specifying that no employee be made worse off than before, dozens from both institutions there are working out the details of a merger plan.

Perhaps the most reasonable pattern for those using this approach is to limit constituency work to the interpretation of policy set by the board. Most constituencies, understanding that boards are responsible for policies such as educational emphasis and basic governance structure, will help translate these into procedures for the new institution. For example, faculty at R.I.T. and Eisenhower were asked specifically to design a liberal arts curriculum that would protect current students but would combine disciplinary strengths in new ways so that the separate college unit could support itself. Although many were disappointed in this shift to "career-based liberal arts," they responded with commitment and an amazingly quick three-month curricular revision.

Finally there is another approach, one recommended by attorneys facing complex negotiations. It treats the problems of board, presidential, and constituency advocacy by mapping out the rights and vulnerabilities of all concerned, then deciding what can be given to or required from each party to get them to at least minimally support the plan. The major problems are 1) identifying *a priori* what the significant bargaining units will be, 2) outlining all the non-economic as well as economic gains and losses, 3) understanding pre-existing legal rights, 4) obtaining a sure sense of the sensibilities involved, and 5) using no small degree of wisdom in packaging solutions for each group.

Negotiators find that at least an informal approximation of this procedure is essential where parties are capable of blocking merger by legal or extralegal means. Even where no such danger exists, however, the procedure may prove a useful means for sorting through issues which could build internal support for the new institution. Its major disadvantage is the amount of information required. Insights and skills of the presidents, lawyers, technical analysts, and personnel officers must be brought together in a disinterested manner for this approach to be complete. Doing so before a merger decision requires unusual candor and trust. The tendency is rather to proceed more by "feel" than by system, treating the resulting oversights as they emerge.

When a systematic approach is not possible, the procedure still can be used in conjunction with others. For instance, it could help identify basic board policies within which constituency committees could operate. Or if early commitment is sought, it might suggest a structure that would eventually achieve internal support. Most important, where some parties will be sorely served by merger, such a study might suggest fair and humane alternatives.

This kind of analysis originally was outlined as one possible approach to the Connecticut project, with the work of interviewing on the campuses considered part of its essence. The details of such an analysis were postponed by the team, however, as being more relevant to negotiations than to feasibility. This probably was a mistake. By associating general pluses and minuses with specific groups, such details could have guided the commission's presentations, if not its basic findings. Surely, closer acquaintance with board sentiment would have helped.

In fact, conceptually, such an analysis of advocacy and opposition may prove the most workable starting point for a study of feasibility. Note that the Connecticut team treated legal and financial feasibility as constraints on a given will to merge. Alternatively, they could have identified first the bargains which would have had to be struck and then found institutional rationale, ways, and means to suit the people who would have had to support the new institution. These insights might have helped establish the atmosphere, acquaintance, and compulsion needed to make merger work.

Feasibility

Technical feasibility is a study of legal constraints and costs used to revise or reject merger plans. It is no more than a way to help those involved think into the future, however, often with limited time and resources. Financial analysts must scramble to supply approximate costs for each new plan devised, using rough costing techniques until some plan is settled upon. Likewise legal analysts check each version for workability and for possible regulatory snags which could increase the risk or cost. Even in Connecticut, with the relative leisure of five months, only preparatory costing and legal analysis could be done before it became clear in the last weeks precisely *what* merger was to be analyzed.

Under such conditions, analysis of merger feasibility involves a great deal of guesswork. In fact, one advantage of the New England Federation model is that each operation has ample planning and costing time while each institution remains protected from unforeseen financial difficulties. Within the usual limits, however, it is likely that only broad boundary methods of financial analysis can be used. Fortunately, the decision to be informed is also broad, making approximately right estimates more helpful than precise prediction in that these help focus board discussion on general issues of risk and commitment. It is vital, however, that analysts focus on whatever questions will be foremost in the minds of board members, given the circumstances of a particular merger attempt.

The key questions for public college mergers will be different from those in the private sector. Here practical matters tend to be less important than governmental will. Note, for instance, the mandate in Massachusetts that required joint registration of students from two separate institutions, yet allowed too little time to develop a common course schedule. Public institutions which are voluntarily seeking merger should be able to demonstrate smoother planning than this, but their real hurdles still will lie elsewhere, in questions related to political feasibility: who will gain, who will pay how much, and how well will the parties affect their interests?

In one example, opportunity for enriched state funding was found possible if a junior college could merge with a nearby four-year institution in New York City. The question was whether or not sufficient political influence could be combined in support of the move. Union strength and urban power helped make that particular merger possible. For the Florida case, however, a politically weak portion of the state must be extremely careful in proposing more costly funding arrangements, especially if these could be interpreted as a model for dismantling entrenched and relatively inexpensive ways of providing the first two years of public college education. For the public institution seeking merger, then, feasibility will primarily be in terms of state level groups to be satisfied or threatened by the plan and their ability to advance or block it.

Private institutions usually have neither the power nor the purse of the state to deal with. Their important questions will be those of financial and legal risk in combinations suitable to their circumstances. For instance, Vanderbilt University probably did not plan to add an education college in this decade and had dropped earlier talks with neighboring George Peabody College for Teachers. When Peabody actively sought other merger partners, however, Vanderbilt had to weigh identifiable financial and legal risks of merger against the uncertainties of acquiring a new neighbor. Through a detailed contract defining risks and obligations, Vanderbilt was able to convert a competitive threat into a low-risk acquisition.

Similarly, with an endowment cushion of $50 million and increasing need for space, R.I.T. faced issues of risk and expense in adding Eisenhower College. R.I.T. saw the dominant question as whether to build or buy the programs and facilities it needed. Great differences in cost allowed financial comparisons to be fairly rough, but perfect hindsight shows now that the comparative riskiness of merger should have been the fundamental issue. R.I.T. was, in fact, able to reduce its financial exposure and labor risks, but unforeseen delays and limitations imposed by the state caused the real difficulties. The Institute now finds itself closing the liberal arts college at great cost and still having to build new facilities.

In Connecticut, on the other hand, financial questions and institutional risk were virtually the same thing. With little margin for error, financial analysis there gave "worst case" estimates of institutional futures over a five-year planning period. A cash flow analysis would also have been desirable, but time limitations precluded it. Legal analysts asked what would be needed in arrangements, time, and effort to clear any impediments to merger and to keep risks of litigation to a minimum. Accordingly, the most conservative approach was suggested for labor issues: inform and negotiate with each union, allowing each time to resolve representational differences as arrangements progressed.

The feasibility question in Connecticut proved to be whether, given their financial condition and projected enrollment difficulties, merger, as arranged by a holding board, would be any more risky than the institutional futures faced separately. Conservative analysis showed a somewhat greater "downside" risk for merger but also promised a much greater possible reward. Hence the merger decision was more of a judgment call than many are, thus rendering advocacy more important than analysis.

Conclusion

Emphasis on mission, advocacy, and feasibility for any particular merger attempt will depend in part on circumstances and in part on the professional instincts of the leaders. By understanding the need to balance these, however, institutions attempting merger can decide which should take the lead, which will come about most naturally, and which might need to be monitored to ensure equal achievement.

Chapter V

Some Personal Notes

Overview

Mergers usually begin haphazardly, with overtures preceding any real understanding of what may be involved. It is encouraging, however, that we now have a body of material to learn from precisely because institutions in the past forged what they needed despite lack of wide reference. Institutions are just now finding a new freedom of approach which can expand on these early contributions. Therefore, the choices made after setting aside this study will be improved as much by free invention as by seeking blueprints here or elsewhere. For all the specificity of its case documents, what is offered here may be most valuable in providing personal acquaintance with the breadth of the task and a sense of companionship with those whose experiences have preceded your own. Hence the following brief homilies.

Recognize Difficulties from the Outset

The record shows that college merger is always difficult, even where it succeeds in negotiation and gets through the early years with good fortune. Short of closure – whether an institution be public or private – the merger experience will be as tough as it gets. Its risks can be managed, but not by firm resolve alone or by others working on your behalf. College merger requires investment, knowledge, dexterity, luck, wisdom, and the courage to be consumed for the sake of some better future.

Make a Realistic Choice

With all this said, it is still possible to improve your chances by careful choice of strategy and potential partners. A realistic survey of competitive position will suggest whether to seek a merger that represents mutual growth or one that regroups two institutions for survival. The strategy chosen will signal which balances to seek when previewing potential partners for differences in reputation, possibilities of accommodating mission, program complementarity, and combined strength from income, efficiencies, and available credit. If some particular partner is already in mind – or involved – weakness on these basic points may signal where special effort will be required along the way.

Begin in Friendship

The personal demands of a merger attempt are best met when its leaders can stand toe to toe with one another and like what they see. Merger is not a matter to be carried by ceremony or academic camaraderie. It is a matter of mutual trust needed to be candid with one another first and despite all other roles and representations which will be required by the process.

Invent Your Future Together

Decide that you will best succeed by focusing on the future institution, bearing in mind how difficult this has proven to be and agreeing that an honest withdrawal may turn out to be the best result. Begin with the attitude that you can invent together a model that will suit your mutual needs. Proposals and counterproposals waste time and bring bad feeling. Instead, and *especially* where one institution could dominate the other, explore together at the very beginning the region where accommodation is possible and the barriers which cannot be overcome by any effort. Somewhere between them may lie the possibility of a new institution.

Manage the Process

At each point where institutions debate whether to continue or disengage, a sound decision requires balanced understanding of mission, advocacy, and feasibility issues. It may be necessary to augment the team early on with someone who can add missing emphasis to the work: a provost with vision, an attorney who will think in terms of contracts to be reached, a financial or political analyst.

Keep in mind that debate will circle back over presumably resolved issues as your principals gain greater understanding of their design and as others less central catch up with the process. Although colleges and universities seldom change as quickly as they do through merger, they also never truly stand still. As soon as plans seem settled, any creditable academy will begin to roll forward on its own. At some point, leadership is most effective when it can step aside and let the best minds set direction, administering to their needs until leadership is once more called upon by crisis or the need for final blessing.

Keep the Long View

In this gathering of material, some institutions show how they have found their way through the difficulties of college merger. Others show how the idea did not suit their needs and led them to withdraw with more or less grace. Still others with great potential felt their way into the period of approach but found it blocked by circumstances or a lack of understanding merger. Those of acquaintance who have shared their experiences remain impressed by the complexity of the problem. They would agree that its hard necessities require a constant long view of what can be accomplished. And even those whose attempts have brought them personal disappointment agree that college merger has great promise for the decade just ahead and must be approached intelligently, in an atmosphere of mutual trust.

CHAPTER VI

Annotated Guide to the Connecticut Documents

Overview

It was the intent of the Universities of Bridgeport and New Haven to provide "unique step-by-step documentation of the procedures used in the merger feasibility study, regardless of outcome." Accordingly, these documents have been duplicated from file originals. They are organized to illustrate the study from its earliest data through its outcome, but with as little duplication as possible. Every effort has been made to retain their sense of immediacy. As presented here, even in their ultimate versions, they show the speed and inaccuracy of working papers. Changes in the original documents have been made only 1) for brevity in some instances, 2) for clarity of text, or 3) where unusually sensitive material is summarized or clearly omitted. The documents are ordered as follows:

A. Establishing the Commission

Doc. A-1 *Foundation Proposal with Presidents' Model; September 1981.*

A proposal for support of the merger effort showing where thoughts of merger stood as the commission was assembled. Emphasis is on goals of merger, state support for private colleges, and basic logistics for a merged institution in five years. The document is summarized in outline form with key paragraphs quoted.

Doc. A-2 *University Merger Study Commission.*

The cast of characters: 3 corporate managers, 3 college presidents, 4 specialists, and a chairman with unusual breadth of academic experience.

B. Institutional Data

Doc. B-1 *Samples of Profile Information.*

Data were accumulated from public documents (such as HEGIS reports) or internal reports to profile locations, programs, enrollment, faculty, administration, facilities, finances, and alumni. These show that both institutions were attempting to spread service throughout the southern industrial corridor of Connecticut. When surveyed in detail, however, their programs had little overlap even where they had colleges in the same field. Their students also seemed different, with UNH primarily serving part-time working commuters and UB primarily serving full-time residential students. UB's budget per student was twice that of UNH; student costs at UB were also higher. Both used numbers of adjunct faculty, but UNH had proportionately more of these. Both institutions were fully mortgaged with liens on tuition income and both could expect sharp enrollment declines in the future if public institutions used price advantage to shift the predicted demographic decline into the private sector.

Doc. B-2 *Financial Ratio Analysis.*

In order to put in perspective the financial standing of the two institutions separately or merged, an analysis of accounting ratios was prepared for the commission's first session. It offered comparison to sets of institutions of the same general operating size. Both UB and UNH showed future vulnerability on most points. The same exercise was done with raw combination of the financial figures to see if a shift in scale alone, due to merger, would make the ratios stronger in comparison with institutions of such combined size. It did not. Finally, assumptions were included for financial results of minimal change under merger. *Pro forma* results showed that minimal merger would not bring real improvement, either absolutely or relative to institutional peers. The analysis suggested that the commission would be dealing with questions of survival, and that merger in itself without real change would offer no easy solution.

C. Early Approximations

Doc. C-1 *Three Prototypes for Commission Com-*

ment; December 17, 1981.

To test initial commission reaction, three broad approaches were circulated for comment following the first commission session.

Doc. C-2 *Proposal for Moving through Federation to Merger in Five Years; February 12, 1982.*

In preparation for the commission's February session, the chairman's team sent detailed reflection on its period of discovery, along with a rationale and three-phased procedure for merger over five years.

Doc. C-3 *Preliminary Lead Cost Estimates for Merger over Several Years.*

A summary of financial information under development.

D. The Commission's Final Analysis

Doc. D-1 *Letter to the Commission Regarding UNH Deficit.*

With sudden announcement of a $1.4 million operating deficit at UNH, the chairman's team analyzed the impact this would have on negotiating a merger and on the commission's fundamental rationale for bringing the institutions together. The letter also transmitted an early draft of the following staff report.

Doc. D-2 *Background Material for Commission Debate.*

This major document summarizes the conclusions reached by the chairman's team after five months of study guided by the commission. In its original form, it served as the working document from which the commission debated final recommendations.

Doc. D-3 *Financial Analysis.*

A summary of financial positions for the institutions separately or merged under assumptions of a consolidation-like result or an acquisition-like result once the work of the holding board was complete. A full summary of costs and resources for merger is presented in Schedule A, with various analytic or policy choices expressed as one or the other. Schedule B summarizes separately the costs for merger and related enhancements. Schedule C draws on the *status quo* aspects of the analysis to predict UB's worst case future separately; Schedule D does the same for UNH. Schedule E shows worst case results of merger in a consolidation-like form or an acquisition-like one. For those more comfortable with financial statements, these results were also presented as *pro forma* effects on the Current Fund for each year through 1986. Supporting Notes are edited to eliminate details unique to this setting but retain the full flavor and scope of the analysis. Note that in all aspects of the analysis, the arithmetic "backs up" numbers to the 1980-81 audited financial statements before identifying changes which the various policies would bring through the 1985-6 fiscal year.

Doc. D-4 *Institution Specific Enrollment Projections.*

Essential to fiscal predictions for any enrollment-dependent institution is an educated guess concerning the direction and magnitude of change in tuition revenue. Since both institutions were financially vulnerable, it was deemed worth major effort to understand as accurately as possible the issues involved in revenue generation. Moreover, the period in question would be substantially different from previous experience, making predictions based on past data inappropriate. The staff independently studied numerous factors that would contribute to enrollment change in the coming years and identified those that could be quantified with any reasonable certainty: demographics, labor market "pull," price competition, unemployment effects, and financial aid policy. These were combined into a unique institution-specified ratio/flow simulation for testing various scenarios. Weights kept adjustable in the FORTRAN program allowed for sensitivity analysis.

Doc. D-5 *Legal Analysis.*

The legal questions – especially those dealing with complex labor issues – were also deemed worthy of major investment. Commissioner Barry Waxman from the UB law firm worked in conjunction with UNH attorneys to analyze possible forms of merger. A specialist in higher education labor law, Attorney Arthur Menard of Boston, assisted by Attorney Peter Hicks, supplied a thorough and unprecedented analysis of labor issues for situations of this type. The summary documents given here show the range of corporate options considered before selection of the holding company mechanism, and Menard's recommended conservative approach to labor issues.

E. The Commission's Reports

Doc. E-1 *Report of the University Merger Study Commission; April 5, 1982.*

In calling for immediate merger arranged through a holding company mechanism, the commission draws 19 recommendations from document D-2.

Doc. E-2 *Confidential Letter; April 15, 1982.*

Transmits full financial and legal analysis to the presidents, board chairmen, and financial officers.

Doc. E-3 *Summary from the Commission's Technical Studies; April 21, 1982.*

Doc. E-4 *Summary of Strengths and Weaknesses for Merger; April 22, 1982.*

F. Reaction

Doc. F-1 *"UB Merger Is Delayed;" May 20, 1982.*

When UB's board chose not to endorse the commission's report, this mildest of the news reports explains that UB's president has been charged to further study the question.

Doc. F-2 *Comparative Analysis of the Universities of Bridgeport and New Haven; August 30, 1982.*

A widely circulated draft in which the UB president assigns letter grades to operations throughout both institutions, demonstrating that UB is stronger than UNH. It also considers merger economies which would close the New Haven campus.

Doc. F-3 *Commentary: Comments between Commission Chairman and UB President Regarding the UB Study.*

This exchange compares the spirit of the latest UB study with the original foundation proposal of September 1981 (document A-1).

Doc. F-4 *Letter of UNH President Reporting His Board's Response to UB Study; September 22, 1982.*

UNH finds that the UB vision of a merged university differs greatly from its own and halts further talk of merger.

Doc. F-5 *"UNH Calls Off Plans for Merger with UB" and "UB Disappointed by Merger Failure."*

The UB president was only one month from making a proposal to UNH.

Document A-1 Sept. 24, 1981, Foundation Proposal with Presidents' Model

A. MERGER BACKGROUND

1. The Merger Model

On May 17, 1980, UNH approached UB on the possibility of exploring a merger. After several months of joint discussions at the presidential, executive committee, and eventually board levels, the two boards authorized the presidents to develop a "merger Model," incorporating broad principles of agreement. The model was approved by the two executive committees in February, 1981.

2. Process Design

Simultaneously, the committees authorized the presidents to design a three-year merger process, with the understanding that the first year was to be a feasibility study by objective (i.e., outside) persons. It was agreed that either board could withdraw from negotiations at the end of the first year, should the feasibility panel's conclusions or recommendations prove unsatisfactory.

3. Faculty Support

4. Recent Developments

Since February, 1981, the two presidents have been engaged in conceptualizing the merger process, developing a process budget, soliciting and reviewing nominees for the feasibility panel/staff, submitting the merger model to preliminary critiques by outsiders, and seeking foundation support to help finance the project.

5. Fiscal Support: Internal

6. Fiscal Support: External

To date we have received a grant of $50,000 from the Ford Foundation, restricted almost entirely to dissemination of the feasibility study's results through symposia and publications. The Exxon Foundation has just awarded us a grant of $75,000 for the substance of the first year study.

B. MERGER OBJECTIVES

1. To Enhance the Region's Welfare
    a. The Southwest Corridor
    b. The Palo Alto/Boston Contrast

c. The UB/UNH Response

Fairfield County's chief corporate executives have frequently expressed their frustration over such a situation, and have urged that the private institutions "do something" to correct it. The merger of UB/UNH will not produce Palo Alto's Stanford or Boston's Harvard or MIT, but it can produce the major non-Ivy private educational institution in Connecticut. Unlike the Ivies, this new institution, in its past history and new capacities, will be geared toward serving the educational, research, and consulting needs of the corporate cluster's managers and employees. Such enlarged service can considerably enhance the economic welfare of the region.

2. To Make a Quantum Leap in Quality
    a. Current Quality Base
    b. The Best of Both Worlds
    c. Strengthening of Graduate Offerings
    d. "Getting Rid of the Negatives"
    e. Improved Student Services
3. To Enlarge Outreach Capacities
    a. Marketing
    b. Fund Raising/Grantsmanship
    c. Political Representation: The Environment
    d. Joint Lobbying
    e. "State Relations"
4. To Achieve Significant Economies
    a. Consolidation
    b. Administrative Savings
    c. Academic Savings
5. To Build on Conplementarity
    a. The Opportunity
    b. The Synergistic Effect

6. To Anticipate the Future

    a. Current Fiscal Strength

    b. Demographic Decline

    The problem is not now, but later. Between 1983-1995, Connecticut will experience a 45% decline in the high school senior pool. Any part-time enrollment increase is expected to fall far short of compensating in numbers and tuition dollars. The Ford Foundation has projected that state colleges will lose 50% and non-Ivy Connecticut privates 67% of their enrollment during this period. Although this extreme projection might be questioned, the fact remains that in ten years there probably will not be sufficient state enrollment to sustain almost fifty public and private institutions. Some of these schools, both public and private, will almost certainly collapse and be closed.

    c. The Impending Storm

    d. Preparing Now for Later

C. MERGER PROCESS

1. The Feasibility Study

2. Preparation and Implementation

3. Consultants Panel/Staff

4. Duties of Staff Coordinator

5. Key Questions

Using the enclosed merger model, the institutional profiles, departmental cost analyses, interviews, and other data, the chief consultant and his associates will be asked to address such questions as: (a) What can be learned from the revenue and expenditure patterns of the two institutions? (b) What impact would occur on a combined budget, if UB's higher tuition were retained as advised by Louis Toepfer? (c) From a practical viewpoint, how feasible is it to achieve significant savings from telescoping academic departments, given the existence of collective bargaining in at least one of the two institutions? (d) How legally committed is a new corporation to old contracts?

Further key questions would include: (e) Would merger be impeded by significant differences in admissions standards, instructional practices, student services, management style? (f) What might be the dimension of corporate support for a new major institution in their midst? (g) How valid are the anticipated benefits of merger? (h) In the last analysis, how realistic is the merger model as a set of working hypotheses? Does it "cost out"? What revisions are needed?

6. The "Two-Campus Spread" Issue

7. Pre-Merger Efforts

Parallel with the feasibility study, UB/UNH will freeze any plans which might affect the other, such as construction, new computer hardware, program planning, and the like. Also, to ascertain the degree to which the two schools could work together effectively for merger, UB/UNH will, during the feasibility study period, seek to develop a common calendar, cross-registration, and coordination of selected programs. As Louis Toepfer has noted, these efforts will themselves be a test of feasibility.

8. The First Public Record

9. Two Symposia

10. National Prototype

D. CONCLUSION

1. Coastal Integration

2. A Distinctive Effort

3. A Brave Vision

Louis Toepfer has said that what UB/UNH are contemplating is "a brave vision. Its conception is bold, noble, imaginative, dramatic. The merger model provides the basis for a great new university which is different, special, better than its predecessors. Get on with it!" With Toepfer's declamation as impetus, the two presidents are determined to translate the vision into reality.

MODEL FOR MERGER
OF UNIVERSITIES OF BRIDGEPORT
AND NEW HAVEN
(2/10/81)

I. THE ENVIRONMENT

A. Plight of the Non-Ivy Privates

This model is presented against the background of continuing inflation and anticipated enrollment decline, especially among private institutions and especially in Connecticut, during the period 1983 to the mid 1990s. As the student market shrinks and the public-private tuition gap widens, the non-Ivy privates will find it increasingly difficult to compete. Individual institutions will survive only if they can effect major cost cuts, vastly boost perceived quality, and significantly reduce de facto tuition through greatly expanded State financial aid.

B. Need for Lobbying

C. Trends in Private School Closures

D. Complementarity: An Opportunity

E. The Challenge

II. TENTATIVE MODEL

NOTE: This model presents broad principles on which agreement is required before any merger process can begin.

A. Name: The new institution resulting from a UB/UNH merger will be known as The University of Southern New England (USNE), or by a donor-name resulting from a major gift (cf. Brandeis U.).

B. Location:

1. The new institution will be located on two main campuses (West Haven and Bridgeport), with satellite campuses at New London and Stamford/Greenwich. The central administration will be housed in Bridgeport. A case must be developed for exceptions to this principle, and such exceptions must be approved by both boards. Cabinet level officers will be guaranteed positions in the merged school for a specified period, at salaries no lower than currently, but not necessarily with the same titles and functions.

2. There will be five colleges plus a Graduate School and Continuing Education. Arts and Humanities (inc. social studies), health sciences, and the law center will operate from the Bridgeport campus. Business/public management and sciences/engineering will operate from West Haven. Deans will be located as appropriate. Faculties, staff, and facilities necessary to sustain these colleges and their programs will be located on the indicated campuses. Current programs will be relocated as necessary to correspond to the above. E.g., criminal justice will be moved from West Haven to Bridgeport, whereas the reverse will apply to business/educational administration. "Co-op" will be an option for all programs, in view of its fiscal and educational attractiveness to students and parents.

3. Although given colleges and programs will be based primarily on one campus, the other campus will be used as an extension center as appropriate. E.g., the full MBA and some engineering master's programs will be available on both campuses to the extent justified by market demand. The same might apply to some undergraduate business and engineering programs.

4. Generally, students will live on the campus where they are majoring; with overflow absorbed by UB. Residential and commuting students will typically move between both campuses. E.g., the engineering student will take his major courses at West Haven, but his liberal arts core at Bridgeport. The physical proximity of the two campuses (25 minutes) makes this arrangement feasible. Scheduling will allow a half-hour (rather than ten minutes) between classes.

5. If enrollment declines, each campus will need to sell off property. In the event of a severe demographic crisis, the merged board might need to mandate a pullback to one campus.

C. Campus linkage: The various campuses will be linked by Route 95, New Haven RR, and a university shuttle bus service. By these means, the Stamford/Greenwich and New Haven campuses will be only 25 minutes from the UB campus. Hence courses can conveniently be taken/taught by a given student/professor on more than one campus if necessary.

D. Mission: The mission of USNE will be to service the higher educational needs of the Connecticut seaboard (i.e., the New London to Greenwich axis), and to draw on the resources of the seaboard corridor to help toward that end. This mission implies emphasis on high quality professional programs determined by market analysis, accompanied by a strong liberal arts core. Within the merged institution, this core will be similar in scope (i.e., 36 hours) to that currently required by the UB faculty. Details will be negotiated by a joint faculty commission.

E. Administration: The consolidated administration of USNE will be significantly smaller than the current two administrations combined, but qualitatively will consist of the most talented persons (or units) from UB/UNH. There will be only one consolidated development office, one registrar's office, one computer center, one admissions office, one library system, one student services division, etc.

F. Faculty: The USNE faculty will be significantly smaller than the current two faculties combined, but qualitatively will consist of the most talented persons (or units) from UB/UNH. E.g., the new CSE and CBPM, though based in West Haven, will consist of the most talented faculty and elite departments from both sides. Both universities will commit to the laying-off of faculty (including tenured faculty) as necessary. A joint effort will be made to help such faculty find jobs elsewhere, though not necessarily in academia. The collective bargaining issue will need to be mutually resolved. (UB is currently unionized by AAUP, while UNH has recently taken the Yeshiva route.) Options include starting fresh with a non-unionized USNE faculty, or other accommodations to be put forward by UB at the appropriate time.

G. Programs: The USNE will offer significantly less degree programs than are currently offered by the two schools combined. This will be possible because of the elimination of duplicative programs, and because UB is already eliminating weaker majors through application of a program evaluation model (PEM). Included in this reduced programming will be distinctive programs now offered by only one school, such as UNH's criminal justice, fire science and hotel management, and UB's nursing, cinema, and law. In effecting program consolidation, care will be taken to preserve the current number of national accreditations held by each of the merging institutions.

H. Student Body: Initially, the USNE student body will be twice the size of either current student body separately, namely around 14,000. Categories of students will continue to include full-time residential, full-time commuting, and part-time, on both the undergraduate and graduate levels. A strong and varied international component will be maintained. Major student activities, cultural series, clubs, and the like will gradually be consolidated on one campus or the other, so as to maximize the impact of available funds, improve quality, and effect savings. Intercollegiate athletic teams and their funding will be merged, with consequent quality improvement and dollar savings. E.g., there will be only one basketball team. The number of athletic teams will be held to the minimum necessary to achieve mission and maintain effective student retention.

I. Fiscal Status: In a merged UB/UNH, the student body will be doubled, but the administration and faculty will not be proportionately increased. The aid will be to produce a student/faculty ratio of at least 20 to 1, versus UB's current 14 to 1. Given this favorable income/expenditure ratio, tuition can be set lower than UB's current level--i.e., at a figure representing roughly an average of UB's and UNH's current tuition. The possibility of "variable tuition" for FT versus PT, or for specific programs, will be explored. The greater tuition income for the merged schools will be spread over fewer programs (see #G above), thus boosting actual (as distinguished from perceived) quality.

J. State Support for Private Colleges:

1. Perceived quality improvements and (in UB's view) somewhat lower tuition will not be sufficient to offset the widening tuition gap with UConn. Therefore, UB and UNH as they evolve toward merger will jointly seek a redefinition of the public sector and the redeployment of some of the resulting savings to the private sector for P.L. 551, P.L. 140 and other appropriate forms of state aid to private colleges.

2. Toward that end, UNH will lobby jointly with UB to establish a redefinition of the public sector, and will then campaign jointly with UB to assure that the emerging USNE and other private colleges are approved for increased aid under P.L. 551, P.L. 140 and other forms of state support aimed at utilizing the resources of private colleges as an alternative to future expansion of public institutions. Moreover, UB and UNH will seek to enlist the support of the total CCIC in this effort. If total support is not attainable, UB and UNH will work toward these ends with those colleges interested in joining the effort.

3. UNH will endorse the impending Ford study of public/private partnership, with the understanding that the project will be conducted wholly by out-of-state persons who are authorities on the institutions to be studied. UB's only role will be as funding agent and as selector of the project coordinator. UNH pledges to study carefully the results of that study. UNH will work with UB to get the CCIC to take a similar position.

4. UB will soon formally present to the state a proposal for redeployment of the state's higher educational financing, based on a redefinition of "public institution" as one receiving only a 50% (rather than 80%) tax subsidy. UConn would raise its tuition and fees to compensate for reduction of the tax subsidy. The higher tuition is easily within reach of most UConn parents. This proposal would break loose $60 million in savings. Split three ways, these funds could be allocated respectively to UConn for special financial aid, to the private institutions, and to the state as a net savings.

5. The $20 million to the private colleges would be distributed over a spectrum of aid, including 551 improvement, program contracting, and other forms of state aid aimed at utilizing the resources of private colleges. UNH and UB endorse the substance of items 4 and 5 as representing the objectives of their joint lobbying effort.

6. UNH understands that UB will continue to pursue its state relations objective. As per the 11/6/80 UNH trustee executive committee statement, UNH is "not opposed to the...principle of state-related status." Accordingly, UNH will not oppose UB's effort, and will leave the door open to a possible state-relation for itself (or the merged institution) at a later time. Any decision for UNH to become state-related will be made by the UNH board, or (should the issue be addressed after merger) by the merged USNE board. Nothing in the foregoing should be interpreted to mean that the new institution will be part of the state system. On the contrary, both boards pledge that USNE will remain essentially private even if it eventually adopts the model of Temple University and other state-related institutions in Pennsylvania.

7. UNH, recognizing the value of an in-house transfer source for USNE, will actively support UB's effort to locate Housatonic Community College on the UB campus.

K. Trustees/Alumni/Parents: The two boards of trustees will be merged into a single board no larger than forty (40) members, not counting life or honorary trustees. The new board will combine the best of "wealth, wisdom, and work" from the two sides. The respective parents and alumni organizations will also be consolidated. All students who entered UB or UNH prior to the date of merger may choose to graduate with a UB or UNH degree. These combined groups will have massive lobbying potential with the legislature, and will create an effective counter-force to UConn. E.g., UB alone has 70,000 alumni.

L. Advantages of Merger:

III. PROCESS

A. Objectives: Although the merger of UB and UNH must necessarily be evolutionary, the objective is to achieve complete union under a single administration and faculty within five years.

B. Prerequisites

C. First Stage: The first stage of the merger process will be a joint fiscal feasibility study, to occupy at least the remainder of 1980-81. The study will be conducted by representatives of the two administrations, supported by the special foundation-funded logistical staff.

1. Steps in the fiscal study will be as follows:

   a. identification of data needed, and agreement on format for supplying same

   b. development and exchange of data

   c. on basis of data, identification of problem areas

   d. decisions on solutions to problem areas

   e. revision of model on basis of #d

   f. costing out of model to confirm or deny assumptions as to merger advantages

   g. presentation of conclusions to joint trustee committee (by 7/1/81)

2. Joint trustee decision (by 1982) on whether to proceed with the process. If both boards accept the fiscal feasibility of union, then a task force during 1981-82 will develop the logistics and detailed timetable for gradual merger. The legalities will also be explored during this period, and a draft legal agreement drawn up to include the consolidation of assets and liabilities.

3. First phases of the merger will take effect Fall 1982, with complete union achieved by Fall 1985. One of the first tasks of the new institution will be to develop a five-year long range plan in consultation with the new consolidated faculty.

Approved by University of Bridgeport Trustee Executive Committee 2/4/81
Approved by University of New Haven Trustee Executive Committee

In certification of the above trustee approvals, the following signatures are appended hereto:

Document A-2 University Merger Study Commission

Fred Allen	Chairman and CEO, Pitney Bowes, Trustee UB
Howard Blauvelt	Former Chairman and CEO, currently member Board of Directors, Conoco
Frank Borchert	Executive Assistant to President and Director of Planning, Case Western University
Robert A. Corrigan	Chancellor, University of Massachusetts/Boston (Now merging with Boston State College)
Robert Gordon	Former President, Raybestos-Manhattan; Trustee UNH
Donald Grunewald	President, Mercy College
Loring Hart	President, Norwich University (merged with Vermont College)
Emily Taylor	Trustee Urbana College (Ohio) and St. Benedicts College (Minnesota). Former Director, Office of Women in Higher Education, American Council on Education, Washington, D.C.
Barry Waxman	Attorney, Cohen & Wolf Law Firm, Bridgeport, CT
Louis Benezet (Chairman)	Former President of Allegany College, Colorado College, Claremont University Center, SUNY at Albany. Author of many articles and books, including forthcoming book on the University presidency, and Private Higher Education and Public Funding (1976). Member New York Governor's Task Force on Financing Higher Education (1972-3). Now Research Professor of Human Development and Educational Policy, SUNY at Stony Brook.
Gail Chambers (Associate Coordinator)	Ph.D. Candidate in educational finance and management, University of Rochester. M.B.A. University of Rochester in management for non-profit sector. Author of articles and book chapters on academic mergers and retrenchment.

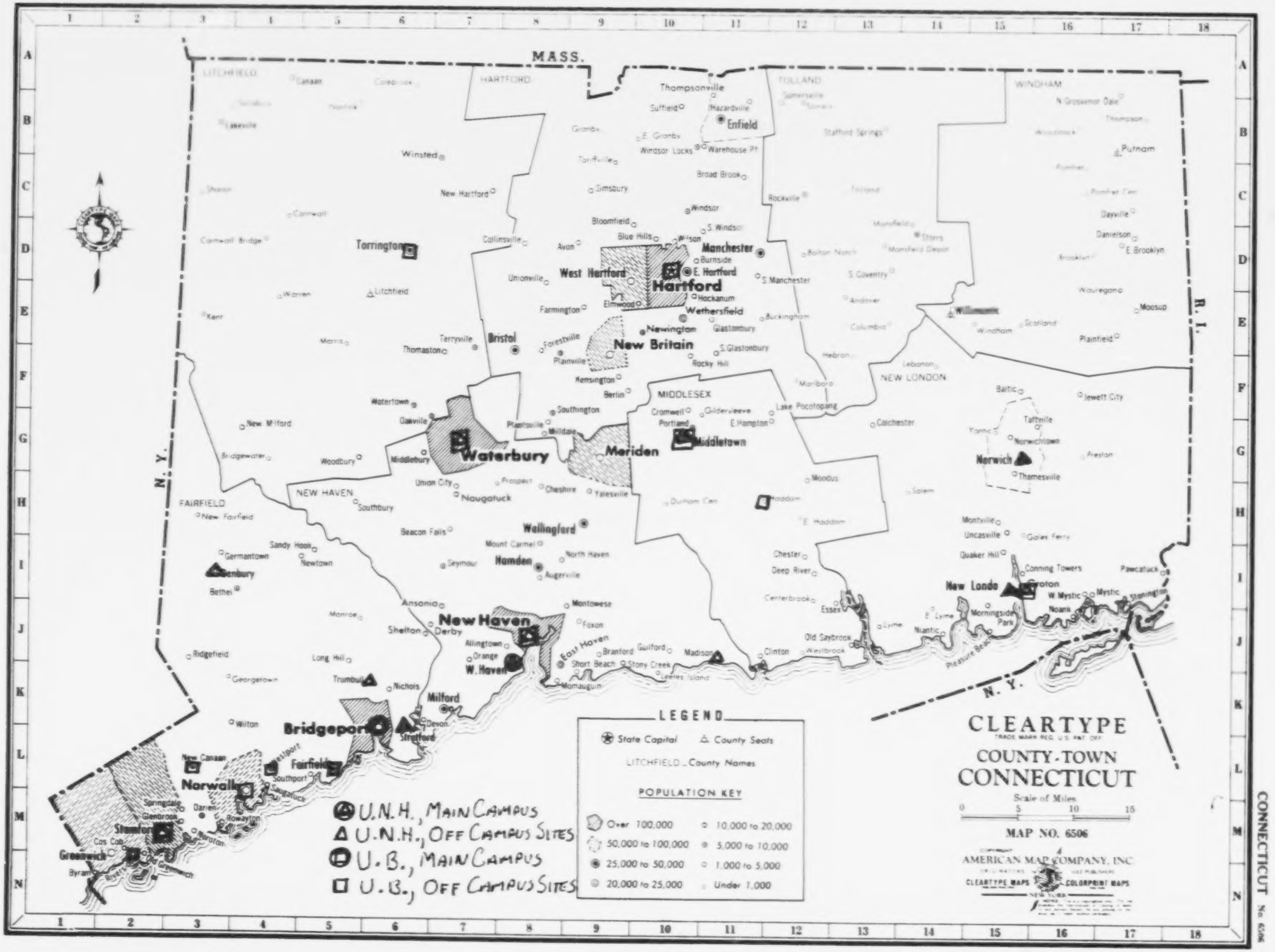
PROGRAM OFFERINGS AND GRADUATES PER PROGRAM

UB from 1980-81 HEGIS Report
UNH from 1979-80 HEGIS Report

HEGIS Codes	Program	UB		UNH	
		UG	G	UG	G
A. First Professional Degree Conferred					
1401-1	Law	-	103	-	-
9700 (T)	Section A Total	-	103	-	-
B. Bachelor, Master, Doctor					
0100 (T)	Agri. & Natural Resources	-	-	-	-
0200 (T)	Archit. & Environ. Design	1	1	-	-
0202	Architecture	1	-	-	-
0206	City, Comm. & Reg. Planning	-	1	-	-
0300 (T)	Area Studies	-	-	-	-
0400 (T)	Biological Sciences	25	45	13	7
0401	Bio., general	25	45	2	-
0420	Ecology	-	-	1	5
0499	Forensic Science	-	-	10	2
0500 (T)	Business & Management	113	61	229	227
0502	Accounting	20	10	50	2
0504	Banking & Finance	7	15	2	-
0506	Bus. Mngt. & Admin.	-	11	85	208
0507	Operations Research	-	-	5	2
0508	Hotel & Restnt. Mngt.	-	-	42	-
0509	Marketing & Purchasing	55	9	22	-
0510	Transportation & Pub. Util.	-	-	5	-
0513	International Business	3	6	3	-
0514	Secretarial Studies	3	-	-	-
0515	Personnel Mngt.	-	-	10	-
0516	Labor & Indus. Relations	20	10	-	8
0517	Business Economics	5	-	3	-
0599	Retailing	-	-	2	-
0599	Taxation	-	-	-	7
0600 (T)	Communications	24	-	21	-
0601	Communications, general	-	-	21	-
0602	Journalism	24	-	-	-
0700 (T)	Computer & Info. Sci.	1	5	15	16
0701	Computer & Info. Sci., gen.	-	-	9	16
0702	Info. Sci. & Systems	1	5	-	-
0703	Data Processing	-	-	6	-
0800 (T)	Education	38	218	-	-
0802	Elem. Educ., general	12	53	-	-
0803	Second. Educ., general	7	19	-	-

T = TOTAL

(Continue)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△ County Seats
LITCHFIELD _ County Names
POPULATION KEY
Over 100,000
50,000 to 100,000
25,000 to 50,000
20,000 to 25,000
10,000 to 20,000
5,000 to 10,000
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Under 1,000
Ⓐ U.N.H., MAIN CAMPUS
△ U.N.H., OFF CAMPUS SITES
⊕ U.B., MAIN CAMPUS
☐ U.B., OFF CAMPUS SITES
MASS.
N.Y.
R.I.
LITCHFIELD
HARTFORD
TOLLAND
WINDHAM
MIDDLESEX
NEW LONDON
NEW HAVEN
FAIRFIELD
Hartford
West Hartford
New Britain
Waterbury
Meriden
Middletown
Torrington
Bristol
Manchester
Enfield
Wallingford
Hamden
New Haven
W. Haven
Milford
Bridgeport
Stratford
Fairfield
Norwalk
Stamford
Greenwich
Danbury
New London
Groton
Norwich
Willimantic
CONNECTICUT No 6506

DOC. B-1.03

NOTE: THIS IS A SIMULATION MODEL, NOT A PREDICTION OF SPECIFIC INSTITUTIONAL ENROLLMENTS

By Fredrick E. Crossland

The Connecticut Higher Education Landscape: 1980 and 1995

Institutional types	Current enrollment	Decline	Low point	% decline
2 UConn campuses	22,200	1,500	20,700	-6.8
4 State Colleges	32,800	18,000	14,800	-54.9
12 Community colleges	31,500	1,500	30,000	-4.8
5 Technical schools	5,900	1,000	4,900	-16.9
23 Sub-total: public sector	92,400	22,000	70,400	-23.8
2 Strong national insti.	12,400	500	11,900	-4.0
2 Strong regional insti.	4,100	500	3,600	-12.2
10 Tuition dependent insti.	39,100	26,000	13,100	-66.5
6 Very small specials	900	500	400	-55.6
4 Private junior colleges	1,100	500	600	-45.5
24 Sub-total: private sector	57,600	28,000	29,600	-48.6
47 Statewide total	150,000	50,000	100,000	-33.3

THE TEN PRIVATE, TUITION-DEPENDENT, FOUR-YEAR INSTITUTIONS

Institution	Current enrollment	Enrollment, if 66.5% decline	Predicted decline	Predicted low enrollment
Albertus Magnus C.	550	184		
Fairfield Univ.	4,800	1,608		
Hartford Gd. Center	900	301		
Post College	1,500	503		
Quinnipiac College	3,600	1,206		
Sacred Heart Univ.	2,900	971		
Saint Joseph's C.	1,150	385		
Univ. of Bridgeport	7,300	2,445		
Univ. of Hartford	9,500	3,182		
Univ. of New Haven	6,900	2,311		
Total	39,100	13,100	26,000	13,100

FEC: 5/21/80

DOC. B-1.04

1980 FALL ENROLLMENTS

UNIVERSITY OF BRIDGEPORT

FULL TIME	ALIEN	MINORITY	MALE	FEMALE	TOTAL
Undergraduates	257	80	1376	1483	2859
Graduates	19	0	34	28	62
Professional	1	6	222	110	332
PART TIME					
Undergraduates	53	84	595	887	1482
Graduates	65	32	664	602	1266
Professional		1	152	54	206

*FTE: 4735

UNIVERSITY OF NEW HAVEN

FULL TIME	ALIEN	MINORITY	MALE	FEMALE	TOTAL
Undergraduates	141	439	1135	754	1889
Graduates	76	10	72	27	99
Professional	--	--	--	--	--
PART TIME					
Undergraduates	0	399	1698	775	2473
Graduates	21	220	1233	534	1767
Professional	--	--	--	--	--

FTE: 4755

*FTE - (Full-Time Equivalent Enrollment According to HEGIS Report)

DOC. B-1.05

GEOGRAPHIC DISTRIBUTION OF FULL-TIME UNDERGRADUATE FIRST-TIME ENROLLEES (1)

	UB (1980)				UNH (1981)			
STATE	NUMBER		PERCENT OF TOTAL		NUMBER		PERCENT OF TOTAL	
Connecticut	388		42.8		832		81.0	
New York	172		19.0		79		7.7	
New Jersey	115		12.7		27		2.6	
Massachusetts	45		5.0		27		2.6	
Sub-Total		720		79.4%		965		93.9%
Pennsylvania	17		1.9		11		1.1	
Maryland	11		1.2		--		--	
Rhode Island	7		.8		5		.5	
Sub-Total		35		3.9%		16		1.6%
Maine	6		.7		2		.2	
California	5		.6					
New Hampshire	6		.7		4		.4	
Virginia	2		.2					
Florida	3		.4		1		.1	
Puerto Rico	-		-		3		.3	
Sub Total		22		2.4%		10		1.0%
Other States (2)	29		3.2		6		.6	
Foreign Countries (3)	101	130	11.1	14.3%	30	36	2.9	3.5%
Totals		907		100.0%		1027		100.0%

(1) Includes new transfer students at all undergraduate levels.

(2) Students enrolled from more than 30 states, including D.C. and Virgin Islands.

(3) Students enrolled from more than 60 countries.

DOC. B-1.06

STUDENT POPULATION PROJECTIONS
BY PURE DEMOGRAHPIC CHANGES USING:
POP. PROJECTIONS 1980-2000

AGE COHORT	STUDENT % OF '80 CT. CENSUS	STUDENT POP. 1980	STUDENT POP. '85 EST.	% Δ 80-85	STUDENT POP. '90 EST.	% Δ 85-90	STUDENT POP. '90 EST.	% Δ 90-95	STUDENT POP. 2000 EST.	% Δ 95-2000
15-24	UNH .559	3,134	2,931	-6.48	2,450	-16.41	2,243	-8.44	2,481	+10.60
	UB .696	3,902	3,649		3,050		2,793		3,089	
25-34	UNH .633	3,108	3,431	+10.39	3,527	+ 2.80	3,245	-8.00	2,780	-14.33
	UB .365	1,791	1,978		2,034		1,871		1,603	
35-44	UNH .287	1,061	1,289	+21.49	1,431	+11.02	1,536	+7.34	1,575	+ 2.54
	UB .186	686	836		927		995		1,021	
45-64	UNH .034	228	218	- 4.39	221	+ 1.38	239	+8.15	266	+11.30
	UB .063	426	404		409		443		493	
Total		14,336	14,736	+ 2.79	14,049	- 4.66	13,365	-4.87	13,308	- 0.43
Cumulative Change from 1980				2.79		- 2.0		-6.77		-7.17
				UNH +4.89		+ 1.30		-3.56		-5.70
				UB + .91		- 5.66		-10.33		-8.80

Predicted state population changes by age group are applied to the percentage of that age group attending each university to give a predicted demographic effect on one's age groups and totals every five years, plus cumulative total changes from the 1980 base.

FINANCIAL PROFILES

UB/UNH

From HEGIS Reports, from 1979-80, 1980-81

ITEM	UB	Trend*	UNH	Trend*
PART A - CURRENT FUNDS REVENUES BY SOURCE FOR FISCAL YEAR ENDING 1981				
Tuition and Fees	$22,747,510	9.8%	$14,210,327	11.0%
State Appropriations	533,705	-10.9		
Federal Grants & Contracts	1,163,844	12.6	929,191	2.9
State Grants & Contracts	135,899	-69.3	757,685	-10.0
Private Gifts, Grants & Contracts (see Section E)	1,304,333	7.4	307,142	138.0
Endowment Income	328,787	-20.9		
Sales & Services, Educational	214,753	2.6		
Sales & Services	4,693,998	9.6	666,617	16.5
Other Sources	1,400,503	- 7.9	165,123	10.8
Total Current Funds Revenues	32,523,332	6.8	17,036,085	10.8
PART B - CURRENT FUNDS EXPENDITURES AND MANDATORY TRANSFERS FOR FISCAL YEAR ENDING 1981				
EDUCATIONAL AND GENERAL:				
Instruction	$12,809,941	11.5%	$ 7,398,633	12.1%
Research	219,794	-63.6	6,000	20.0
Public Service			554,820	39.2
Academic Support	1,058,493	11.4	1,128,188	6.0
Student Services	3,368,965	18.6	917,058	4.5
Institutional Support	3,932,298	16.9	1,593,530	14.5
Operation and Maintenance of Plant	2,871,618	8.9	1,754,798	17.3
Scholarships and Fellowships	3,453,097	2.1	1,796,597	5.6
Educational and General Mandatory Transfers	851,835	- 2.1	353,432	65.6
Total Educational and General Expenditures and Mandatory Transfers	28,566,041	9.3	15,503,056	12.8
AUXILIARY ENTERPRISES	4,629,668	3.7	1,529,556	15.3
Total Current Funds Expenditures and Mandatory Transfers	33,195,709	8.5	17,032,612	13.0
PART C - TOTAL (All Fund) EXPENDITURES (FROM JUNE '81 FINANCIALS)	34,002.709		17,231,402	

* Per cent change from prior year

UNIVERSITY MERGER STUDY COMMISSION
DECEMBER 10, 1981

FINANCIAL RATIO ANALYSIS

Intent: To compare these two institutions with one another and with others of similar operating size; to make similar comparisons pro forma for joined institutions.

Methods: Peat, Marwick, Mitchell and Co. have developed a set of ratios for Ratio Analysis in Higher Education (1980), a study which includes descriptive statistics on comparable samples of other institutions prepared by John Minter Associates (JMA). Neither the ratios nor the statistical work are ideal, but they can serve our purposes if interpreted broadly.

The PMM interpretations of their ratios are summarized in the accompanying tables. Each ratio is then compared to those of the JMA Grouping of 15 to 20 other schools of similar operating size. The table tells what decile (1st is lowest) a particular ratio's value would fall within when compared to the distribution of that ratio in the appropriate JMA Group, and also gives that JMA Group's median value for the ratio. As a result, when the institution's operating size places it among the larger schools in its JMA grouping but its ratios lie in the weaker deciles, the school's weakness is greater even than the statistics indicate, relative to schools of the same general operating size.

The ratios in the tables have been developed for 1980-81 information provided by both institutions using PMM definitions. The analysis is repeated for a raw consolidation of 1980-81 numbers; this changes the ratios and places them (as a larger combined operation) into a new comparison group. Finally, an analysis is provided pro forma on ratios for a "minimal merger": if these schools had merged prior to 1980-81, if they had subsequently experienced some operating economies and expenses due to minimal post-merger change, and if these changes had approximated the rough assumptions listed below, their merged financial ratios might be similar to those listed.

"Minimal Merger" assumptions for this pro forma exercise:

1. A minimal merger brings no program change, no loss of tenured full-time faculty; at most a half million is saved on untenured and adjunct faculty.
2. There is no restructuring of debt.
3. Operating economies from combining student services, academic support and institutional support would result in only saving half the expenditures of the smaller of the operations.

- continue -

4. Auxiliary Enterprise revenue would net an increase of 10% of the UB room and board amount as that campus fills its facilities.

5. Lead costs of a merger would be met in part by gifts and grants - probably a necessity for merger - but these would probably consume all such monies as well as UB's funds for renewal and replacement, leaving no change in real endowment or in gift income.

6. Annual plant expenses would rise by half a million in transportation and communications leases plus the maintenance of underfunded merger-related capital gifts.

Accounting Note: UNH established its account structure prior to NACUBO's standardizing recommendations; it retains some practices from that period, as approved in its audited reports. Adjustments have been made on the worksheets for this exercise wherever the magnitude of the differences made it necessary to do so.

DOC. B-2.03

RATIOS 1-4: BALANCE SHEET RATIOS
($ in millions)

RATIO	UB	UNH	"CONSOLIDATED"	"MINIMALLY MERGED"
1. **Financial Viability**				
Expendable Balances/Debt for plant	$ 3m/20m	$ .5m/9.5m	$3.5m/29.5m	$1.7m/29.5m
PMM: <1 means liquidity problems	.15	.05	.12	.06
Operating size (JMA's scale)	$29m(16-32m)	$15.6m(8-16m)	$44m(32-64m)	$43m(32-64m)
Ratios decile for scale (JMA median)	1st (.7median)	2nd (.7)	1st(1.1)	1st (1.1)
2. **Plant Equity to Plant Debt**	1.63	1.0	1.48	1.48
PMM: < 3 forestalls long-term loans	$32.6m/20m	$11.1m/9.5m	$43m/29m	$43m/29m
JMA decile (median)	1st (3.9median)	1st (2.7)	1st (4.3)	1st (4.3)
3. **Expendable Balances to Total Expenditures**	$3m/33m	$.5m/17m	$3.5m/50m	$1.7m/49m
PMM: < .3 has little margin for adversity	.09	.03	.07	.04
JMA decile (median)	1st (.2 median)	2nd (.4)	1st (.4)	1st (.4)
4. **Capital Balances to Total Expenditures**	$10m;33m	$1m/17m	$11m/50m	$11m/49m
PMM: steady for same relative support	.31	.06	.22	.23
JMA decile (median)	2nd (.4 medium)	1st (.3)	3rd (.7)	3rd (.7)

RATIOS 5-7: CURRENT FUND OPERATING RATIOS

5. CF Surplus(deficit) to CF Revenues	-$.7m/32.5m	+.003m/17m	-.7m/50m	+1.4m/50m
PMM: approx. 0,operations relatively within means	-.02	--	-.01	+.03
JMA decile (median)	2nd (1.4 median)	2nd (2.9)	1st (3.2)	1st (3.2)
6. Educ. & General: Surplus(deficit) to Revenue	-$.7m/27.8m	$.8m/16m	$.1m/44m	1.8m/44m
PMM: (same but for this part of CF)	-.03	.05	.00	.04
JMA decile (median)	4th (.8 median)	1st (6.1)	2nd (3.6)	2nd (3.6)
7. Auxiliary Enterprises: Surplus(deficit) to Revenues	$.06m/4.7m	$.25m/.66m	$.3m/5m	.7m/6m
PMM: (Same but for this part of CF)	+.01	.39	.06	.13
JMA decile (median)	2nd (2.7 median)	6th (-.6)	4th (.8)	6th (.8)

RATIOS 8-14: CURRENT FUND CONTRIBUTIONS - TO - EXPENSES RATIOS

(AS A % OF EDUCATIONAL AND GENERAL EXPENDITURES
AND MANDATORY TRANSFERS)

PMM: To pinpoint the sources of imbalance in 5 & 6.

		UB	UNH	"CONSOLIDATED"	"MINIMALLY MERGED"
	Operating Size Expenditures (Edu. & Gen. Mandatory Transfers)	$28.6m	$15.6M	44m	43m
8.	% Contributed by Tuition and Fees	79.6%	9.%	84%	86%
	JMA decile (median)	7th (71.2% median)	9th (83%)	10th (61.2%)	
9.	% Contributed by Fed. Gov. Revenues	4.4%	6%	5%	5%
	JMA decile (median)	2nd (9.3% median)	8th (4.8%	1st (13.9%)	
10.	% Contributed by State Gov. Revenues	2.3%	5%	3%	3%
	JMA decile (median)	7th (.4% median)	8th (1.9%)	7th (.7%)	
11.	% Contributed by Local Gov. Revenues	0	0	0	0
	JMA decile (median)				
12.	% Contributed by Private Gifts & Grants	3.7%	5.6%	3.7%	3.7%
	JMA decile (median)	2nd (8.0% median)	3rd (6.4%)	2nd (9%)	
13.	% Contributed by Endowment Income	1.0%	0%	.8%	.8%
	JMA decile (median)	3rd (1.8 median)	2nd (2.9%)	1st (3.3%)	
14.	% Educ. CF Revenues & Gen. Revenues/ C&G Expenditures & Mandatory Trans.	97.4%	105.6%	100%	104%
	JMA decile (median)	1st (100.8%)	7th (106.4%)	2nd (103.7%)	6th (103.7%)

RATIOS 15-22: CURRENT FUND ALLOCATIONS RATIOS

(AS A % OF TOTAL EDUCATIONAL AND
GENERAL EXPENDITURES AND MANDATORY TRANSFERS

	UB	UNH	"CONSOLIDATED"	"MINIMALLY MERGED"
PMM: Reflects proportional differences in how institutions use their funds.				
15. % for Instruction	44.8%	47.7%	46%	46%
JMA decile (median)	7th (41.4 median)	8th (41.6%)	8th (35.8%)	
16. % for Research	.8%	0%	.5%	.5%
JMA decile (median)	4th (3.4 median)	8th (0%)	1st (10.8%)	
17. % for Public Service	0	3.6%	1%	1%
JMA decile (median)	4th (.8 median)	6th (0%)	5th (1%)	
18. % for Academic Support	3.7%	7.3%	5%	3.7%
JMA decile (median)	1st (10.1 median)	5th (7.7%)	1st (8.9%)	1st (8.9%)
19. % for Student Service	14.9%	5.9%	10%	8.6%
JMA decile (median)	10th (5.6 median)	2nd (7.7%)	10th (4.8%)	10th (4.8%)
20. % for Institutional Support	13.7%	8.9%	12%	11%
JMA decile (median)	6th (12.6% median)	1st (14.8%)	6th (11.1%)	4th (11.1%)
21. % for Op. and Main.	10.1%	11.3%	10%	12%
JMA decile (median)	7th (9.0 median)	6th (10.6%)	8th (9.3%)	8th (9.3%)
22. % for Scholarships & Fellowships	12.1%	11.6%	12%	12%
JMA decile (median)	9th (10.7 median)	7th (10.7%)	9th (7.1%)	

Three Prototypes for Commission Comment

RESTRICTED

TO: THE MERGER STUDY COMMISSION

FROM: DR. BENEZET AND MRS. CHAMBERS

RE: Thoughts on three versions of a merger, each in several forms.

DATE: December 17, 1981

Please Respond

A merged university might be created around any of several rationales. In turn, each version might be accomplished to differing degrees, depending upon the mechanism chosen to bring it about. Outlined below are three versions of merger with their permutations. The material is purposefully brief and, we hope, provocative.

Version I The Responsive University.

Implicit in our first session was a merger approach which would build upon the current strengths of both schools, these strengths being perceived as those programs which can draw students and from which graduates can get jobs. This implies an instution which serves the social and economic needs of its region, as revealed by the market. Such an institution would be a very practical place. It would become efficient in declining disciplines in order to provide the wherewithal to grow into new areas of demand. It probably would evolve toward being a "technical institute". In a study of its recent enrollment declines, UB recognized that market pressures are driving it toward this future. Some at UNH already use the phrase. Under such an approach even a discipline as basic as mathematics could be reduced to offering only service courses.

This is very much the way the UNH operates now, and a contrast between the two schools' offerings of foreign language gives an extreme example of how such a school might evolve in contrast to a less market-responsive place. At UNH there is now one full time language professor with a Master's degree in French. The program relies on adjuncts to offer about three courses each in French, German, Spanish and Russian. There are no language majors. At UB, on the other hand, there are majors offered in foreign language, but only one student graduated from the department in 1980-81. Nevertheless the language faculty list 113 course offerings covering French, German, Hebrew, Italian, Language, Latin, Russian and Spanish.

A market-responsive merged university could be brought about minimally through a series of contracts between the existing (and continuing) separate institutions. A more thorough version could be negotiated as federation in consortial form or more completely as some sort of 'holding company' arrangement for the existing corporations. Or, most completely, there could be one merged university with administrative and academic departments combined from the outset; small initial economies then would be augmented by yearly program evaluation reductions and annual budget pressures to produce a leaner, cleaner, more flexible place. In all cases, programs would be officially housed on one campus or the other but taught wherever there was sufficient demand.

Version II The Incremental University.

This would be the grandest institution possible within the constraint that the two campuses retain their current basic identities (this may turn out to be our paramount constraint). The future of this combined institution would have to evolve around the two-campus spread, fighting that configuration in its efforts to achieve economy and scope. Such an institution would maintain basic disciplines in the arts, social sciences and pure sciences, with a required core curriculum for its undergraduates. The place would still be responsive to the market, but to a lesser degree: for example, foreign languages might be reduced to service courses but mathematics-in its close relation to engineering and business-might retain a major. Around the liberal arts core there would be a number of graduate, professional and technical colleges offering degrees at the appropriate levels. Some expansion of research would be encouraged. A strong combined outreach effort would be maintained to promote continuing education throughout the region, along with on-site instruction in industry and governmental agencies. Standards in combined departments would follow the grander of the previous two, but a two-campus separation would be kept where programs are now very different in emphasis or level. Courses on the different campuses would be taught according to demand.

This incremental university could be achieved minimally by federation (anything from a consortium of the existing universities to a holding company). It could be more thoroughly achieved as a corporation which aggregates the existing institutions for initial administrative economies, followed by academic ones accomplished through program evaluation. Or it could begin as a combined institution which uses the act of merger to declare a number of reductions at the outset. In any form, there would be on-going tradeoffs between program duplication costs and inter-campus travel costs, with economies and synergies limited by the need to maintain full offerings at each site.

Version III The New University.

Implicit in this version is a belief that if you alter the physical and organizational design of an institution it will continue to meet market pressures but will do so in ways not formerly possible. The new university would have a full undergraduate program with a liberal arts core offered at the Bridgeport campus, along with some graduate and professional schools there. The New Haven campus would become a graduate center offering in addition a wide range of undergraduate majors on an extension basis from the UB campus for New Haven's commuting students.

A College of Arts and Sciences at Bridgeport would shelter the arts, social sciences and pure sciences; its role would be to provide a liberal arts core and to service other disciplines, but it would be subsidized to permit majors in most of its disciplines. Graduate, professional and technical schools would remain market-dependent. However, they would focus on achievement in their disciplines and in research, with a University College mechanism used as the focus for aggressive outreach efforts on their behalf. Students from across the region could enroll in this University College on an open admissions basis but would then have to meet - at their own pace - the same performance standards which were required for the more selective full-time programs. Note that this implies some loss of extension enrollments in upper-level coursework, possibly offset by the drawing power of perceived improved quality. The mechanism would shield the disciplines somewhat from market pressures yet keep the university keenly market-sensitive; University College could dominate the institution financially but not academically. With the improved quality brought about by this configuration and the combined strengths and greater efficiencies of some departments, it might be possible to offer some new specialized graduate programs providing that these could be justified by regional needs.

One possible example of this University/Graduate Center/Extension Center configuration might be the placement of Law (and the related commuter-dominated law enforcement disciplines) plus Education (almost entirely commuting graduates) at the Graduate Center in New Haven, with business offerings and engineering available there on an extension basis. This is essentially the current UNH operation with an enlarged law school replacing business and engineering faculty space. Virtually all undergraduate residential programs would then be housed at Bridgeport, along with engineering, business and health sciences.

Such an institution could only be established as a single university with much change mandated at the outset; this could be done through acquisition or through consolidation. It would require sizeable initial funding from sources such as foundations, industry and government to underwrite

- some facilities changes and moving costs.
- the establishment of a grants-and-contracts broker to serve regional industry and government.
- A three-year academic planning effort to combine existing programs synergistically.
- a cushion for initial declines in upper level extension enrollments as requirements are upgraded.
- supplementation of local library collections to support the level of extension study expected at extension sites.
- endowment to subsidize Arts and Sciences at a level somewhat beyond what their majors alone would justify.

Once established, economies from gradually reduced departments, more efficient plant use and from more marketable estension offerings might underwrite the greater ambitions of such a university.

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To: Members of the University Merger Study Commission

Dear Colleagues:

At our first meeting last December 10, the question was raised whether we should proceed without delay to discuss the "grand vision" of a new university merging the University of Bridgeport and the University of New Haven. Discussion soon made it clear that the commission considered its first duty to come to know the two existing universities and the conditions of their present operations; also the thinking that exists among them about new prospects for university service.

Since Christmas Gail Chambers and I have surveyed both institutions in a number of ways. Among other topics, Ms. Chambers has studied the internal finances, the complications of labor agreements, the various legal constraints involved in merging the corporations and a number of enrollment projections including those based on prospects for changes in federal and state student-based financial aid. Commissioner Barry Waxman has been most helpful, as has a small corps of faculty aides and two graduate students. We feel that we can now begin to tie these details to the question of university liquidity.

Counter-balancing the technical studies under Gail Chambers' direction have been a series of interviews with senior administrators, faculty groups and one or two student groups on each campus. The UNH scene has been fairly extensively covered; we are now concentrating on U of B interviews.

While no concensus has emerged at the highest levels of the organizations, a long breakfast meeting with both presidents in mid-January renewed the thoughts of the university leaders about the different trends possible through merger, with special emphasis on the future of arts and sciences as it impacts upon professional fields and vice versa.

In all the encounters certain expectations have been fulfilled but there have been surprises as well. As the revised agenda indicates, we feel it will be helpful to spend some of our meeting time discussing the institutions as we find them after these several weeks' discovery. Strengths and weaknesses have been experienced which will affect the course of events as it has been laid out for the commission to consider.

- continue -

Also during these months, we have been in touch with some of those agencies which will license and accredit a changed institution. We interviewed Commissioner of Higher Education, Norma Foreman Glasgow in Hartford, to ascertain the position of the Board of Higher Education toward future merger moves. It might be said here, both the state group and the New England Association of Schools and Colleges wish to be kept informed of developments and they assure us that any merged institution will require thorough review even though many of its programs may remain essentially unchanged.

In addition, we are grateful to those commissioners who were able to take time to comment on the proposals for merging that followed our first meeting. The commissioners responding agreed that we face a large step and that our recommendations must be expected to require a great deal of work by both institutions in order that the fruits of a merger will bring the universities the extra strength they need and at the same time, will fit into certain frameworks which now exist.

It was noteworthy that all responding commissioners emphasized importance of a strongly defined central core of arts and sciences. There is general feeling that whatever accent on career subjects and technical specialities features in the curriculum, we should point toward the building of a university rather than a technical institute alone; and this means that the university needs the stature of underlying disciplines in basic academic fields.

By February 22, we shall aim to focus with you on the practical choices before us. The purpose of this advance letter is to report some of what we have learned in order that you may be thinking ahead of the meeting date about options that are realistic as well as forward-looking.

As of this time we should like to bring your thoughts and ours together to propose a federation of the two universities which points toward actual merger within two or three or at the most four years. The federation would be an interim step to formalize and help crystalize a natural complementariness that we see in the nature of these two institutions. As such, it would embody a bi-cameral arrangement which would feature the respective strengths of the two universities.

Specifically, we see the University of New Haven as a center for professional studies which can be pursued both on its campus and in off-campus centers throughout southern Connecticut. It would be weighted toward commuting and part-time students as is presently the case. Care would be essential that the off-campus centers keep a high standard of teaching and provide educational aids for study. This is especially true of the graduate programs in business administration. We see them increasing in strength and solidity with the combination of both university faculties behind them. We believe accreditation by their professional associations will be necessary at both graduate and undergraduate levels.

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The University of Bridgeport has the underlying form and substance of a comprehensive residential university of reasonably broad scope (not including doctoral programs). During the federation period it should put itself in position to offer a college of Arts and Sciences with basic courses which can then be taught both on its own campus and, during the federation period, contracted out to the University of New Haven campus. Its own off-campus activities would not cease but would be worked through increasing cooperation with UNH which might then take the lead in this service aspect of the university, just as basic instruction and a more focused program effort will typify the on-campus instructional pattern of the UB branch. Two universities so repositioned would be in a unique position to offer, when combined, a new pattern of external service based on internal strength.

We see as a live possibility a merged university in fact as well as in design which has the purpose of education for life and work in a technological society. It would be oriented toward conveying to students of all ages and situations, the knowledge of our industrialized society and of the human insights necessary for getting along in such a society. While it should make quantitative thinking one of its objectives, this should be fulfilled along with an understanding of language and of comparative cultures, both in our own country and throughout the world. In its education and training, the university would keep high the primary importance of individual integrity and initiative.

The remainder of this letter will set forth some of the particulars as well as the generalities that we have come to in our visits to the two campuses over the past few weeks. The letter will end with some of the more pertinent facts which might guide us in considering the question and form of federation.

For two universities of approximately the same size and curricular makeup, Bridgeport and New Haven offer considerable differences of emphasis and attitude. UB shows a longer history of university status with a more fully developed alumni and community relations organization. Fifty-eight percent of the student body live in Connecticut but the cosmopolitan influence is increased by 600 international students, many of them recruited through an active program. The full-time faculty is comparatively large whereas part-time teachers, while not insignificant in the roster, are relatively low in number. The campus is roomy; there is unused capacity in the buildings. Programs of community interest in cultural and intellectual events are rather extensive. Continuing education plays a definite role in the teaching schedules of the faculty; this varies however with the professional school.

The UNH gives the appearance of using its slightly more than 50 acres of land (half of it used for academic purposes) to maximum extent. The University student body is largely commuting, there being only enough space for 200 resident students on the main campus (rooms in the nearby YMCA are rented for additional space). The student body is at least two-thirds part-time and about 70 percent of the full-timers work outside during college sessions. The full-time faculty carries a heavy load of teaching but even so is outnumbered by the part-time or adjunct faculty who fill out the teaching assignments.

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UNH likewise has a number of international students; still,a heavy proportion of the student body is characterized by a working adult often beyond the normal college age and quite often the first of his or her family to go to college.

As detailed examination can document, neither university is in position to launch new ventures without discovering access to additional capital. Both institutions are at or near their debt limit. It might be prudent to reflect that any merger between the two could hardly encompass additions to program of new features unless campaigns for additional funds were undertaken at an early date. Financial marginality is particularly true at the University of New Haven, even though it has proceeded steadily to enter into additional academic programs with nearby industry, especially when contractual arrangements can be taken on.

The most persistent questions we ran into among faculty and some administrators were whether or not there were any advantages to be gained by merging these two institutions. Considerable skepticism was voiced. Many professors were frank in admitting their anxiety about the merger on two grounds: one, that they were certain that they would not be consulted about either the fact of the merger itself or of details that might affect their participation in it; two, the question of job security, uppermost in their minds since they see no reason for putting the two institutions together other than that UNH and UB are merging in order to cut down the number of teaching positions necessary to cover the requisite teaching fields. Naturally they voiced the hope that the administration is likewise planning to trim its numbers as a merger of the universities proceeds.

When asked for educational reasons for the merger we demurred from trying to interpret what we said is the business of the universities themselves to determine. We did mention the chance for departments to share strengths together and to multiply their offerings by working in concert on common interests. It would be only fair, however, to say that any grand design of a major new university, attractive though it might be and is to several who spoke about it, does not seem realistic under the present financial constraints. Rather, they think in terms of the savings that are being planned by the action; and it naturally has many of them worried as to where the axe will fall.

The other side of that picture was stressed by officers in the development sections of each university. In differing ways the respective offices of Vice President Cox of UB and Mr. John Lupton of UNH show an optimism that the industry of the region can be approached more forcefully by a combination of the two universities with course programs and research to present in exchange for gifts and grants to the private sector which these institutions represent.

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Another thing that was marked as we visited first in New Haven and then in Bridgeport is the surprising degree of ignorance that exists of one institution for the other. Some of the departments have gotten together on their own initiative even before merger talk was begun. However, on the whole it would seem that there is a definite if somewhat blurred division between the New Haven territory in West Haven and the Bridgeport area. Milford is that division; students and faculty going to one or the other of the universities live in Milford in some numbers. There seems to be a strong community orientation in each university toward its own area. With this in view, we were not surprised to have noncommital or even hostile attitudes on the part of faculty and students about ideas of engaging in transportation arrangements that would require them to go back and forth the 15 or 16 miles between the campuses to attend classes and other functions. We were all the more driven to believe that acceptance of programs aiming toward merger will require time, and that interim steps are called for which will accomplish the benefits of merger insofar as possible without the need for a large amount of moving back and forth between Bridgeport and West Haven. This attitude, as we said, prevails among the students. The Bridgeport students, who live in more communal style, wonder why they would gain anything to have UNH students in their midst. UNH students tend to be business-like and preoccupied with their own affairs and show little reaction to the idea of intermingling with the UB student body. The only thing on which we gained some agreement was that it might make for a more stimulating, not to say formidable intercollegiate athletic program if the two merged.

So far as we have gone, then, we are mindful of the fact that these are two hard-working universities with some recognition of what they are accomplishing and yet with considerable anxiety about the future. That anxiety is magnified by the prospects of cuts in federal student aid as well a rumored cut in the state's "551" program of state contracts with private colleges for taking on in-state students.

In the presence of these doubts about the future there is a clear call for positive factors to be discussed both jointly and separately on both campuses in order to bring out those features of a federated academic community where strength and versatility can be reflected in response of the region. The faculty whom we have met have impressed us as being well prepared and committed to their heavy schedules. They do not feel much drawn into the planning of their respective institutional futures. If the merger study commission is so minded as to come forward with plans for federated status and a possible merger to follow, it seems rather evident that a good deal of positive effort is going to be called for in order to implant in the thinking of the two academic communities enthusiasm for what they can do to improve themselves through coming more closely together.

These and our other findings lead us to believe that there are several barriers to merger which exist now but which could change over time. These include the need to adjust to the financially difficult two year period which each school faces now, the accreditation differences between them which could change during the next several years, the lack of any real shared vision at this time between the leaders of the schools, their particular labor calendars, and other factors affecting the ability of these organizations to bring about a real change, many of which may best be resolved over time.

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Therefore we suggest a three phase merger process. Phase 1 would occur during the 1982-3 academic year. During this time the schools could achieve a number of incremental agreements under a letter of intent to work these out as a first step in the merger process. The letter of intent would include an acceptance of the commission's report and a commitment to bring about a potent new university over a five year period. The preliminary agreements would include as many minor arrangements as could be made (concerning such things as technical electives, joint appointments, joint purchasing, common calendars, and cross-registration, etc.) without dislocating present arrangements. If financially necessary, these could also include contracts for the teaching courses on one campus by faculty of another and could include preferential hiring agreements for faculty terminated in the programs which were thus closed. Similarly there could be a contracting of administrative services from one place to the other with the appropriate layoffs and preferential hiring agreements. The scope of what would be anticipated for Phase 1 would be whatever could be done to make the places more efficient and more complementary while keeping the separate parts of the two institutions basically as they are now.

During Phase 1 each campus will be forced to retrench under its own procedures in order to meet some substantial financial shortfalls predicted for 1982-83 and beyond. Their separate abilities or inabilities to do so will alter the bargaining equasions among the various parties involved in a merger. For instance, the necessary retrenchment on each campus initially may heighten opposition to merger, but as the financial problems of these schools become apparent through forced retrenchment all parties may become more amenable to merger as a long-run necessary solution.

During the Phase 1 year the institutions also will privately negotiate a "compact" for the Phase 2 Federation period covering 1983-84 and 1984-85, extendable to 1985-86. This must be a binding contractual agreement developed in great detail and requiring major changes which will make the operations of the two institutions essentially complementary to one another by the end of the Phase 2 period. Under this agreement, UB will essentially turn over its outreach efforts to UNH (with appropriate compensation of its campus-based programs for the continued contribution of faculty efforts to the support of these outreach programs.) UB would then concentrate on changes which would enhance its on-campus operations. UNH would rely on UB for its core of liberal arts and sciences support as it concentrated in turn on providing university services to the external publics. Each school would be at risk to so specialize on its own, but a contracted arrangement allows each school to trust the efforts of the other to make these major changes. Included in the contract, therefore, must be a provision for reacquiring the complementary functions each has surrendered if either of the two institutions should fail during this period or fail to reach full merger. There would also have to be a clause concerning extension of the contract should it become impossible to move to the fully merged stage on schedule.

- continue -

The contract's period of negotiation and its signing will also provide a basis for raising new funds to cover the implied related expenses. A Fall of 1983 signing would coincide with the impact of that year's more severe financial difficulties, allowing the Federation contract to serve as part of a Chapter 11 reorganization plan for either institution if it is faced with insolvency. This schedule also will allow the contract to be in place for six (6) months before the UB faculty labor contract reaches its spring of '84 negotiation period; those managerial freedoms which exist under the current UB contract could be used in arranging and initiating the federation compact, and they might no longer be available after August of 1984.

The Phase 2 compact would set out in full the rationale for the new university and for a restructuring of the existing universities throughout Phase 2. At a minimum the compact might include the following:

1. Establishment under a new dean of an arts and science college at UB for humanities, social sciences and pure sciences; closure of all related UNH departments; contractual arrangements for instruction of these courses by UB faculty at UNH's site; an accompanying change in the direction of the liberal arts to better apply to technological society and, over the two years, the development of a new philosophy and core curriculum to serve this purpose.

2. Formalized informational ties at all levels of the organization. These could include making the chairman of each board's key committees ex officio (non-voting) on the committees of the other; joint cabinet sessions; and cross appointments. It is expected that during the federation period the respective presidencies would remain as at present.

3. UNH and UB would pledge to contract over the two year period to have certain of UNH's general administrative services provided from the UB campus with accompanying layoff/hiring agreements.

4. Library combination would be arranged with provisions to protect each institution's collection if one or the other should withdraw or fail.

5. Commitments could be made to resolve the current faculty labor problem by 1) UNH's agreeing to drop its Yeshiva stand if 2) the AAUP would agree to fairly "slot in" UNH faculty in combining departments - and if 3) the UNH faculty would agree to join the AAUP under the terms of the current contract. Faculty from reduced or closed programs on either campus would remain essentially unprotected but could be offered preferential interview status, outplacement counseling, etc. In all likelihood, financial exigency could be demonstrated if necessary (at least at the program level) as the reason for these layoffs.

- continue -

6. With the assumption of many services by the UB administration, UNH would realign its administrative efforts to suit its new entreprenuerial task. A new vice president for corporation services might be appointed to work full time in establishing on-site educational programs; a senior academic officer would work to improve quality in career oriented programs at all sites; and the UNH president and development officer would be freed from many of their current responsibilities in order to cement entreprenuerial external relationships, with the understanding that these would be supported soon by the combined strength of a fully merged institution. Such arrangements might include transfer agreements with public institutions, improved extension centers supported by local industry and local libraries, on-site training contracts, applied research arrangements, etc. The more closely this effort knits the federation into the needs of the region, the more influential the federation and the merged institution will become politically. The goal would be a system of service similar to what is offered by midwestern public systems, but closer to the direct needs of corporations in ways which are not normally allowed public institutions in the Northeast.

7. UB would also realign itself for its half of the task. It might restructure its administrative organization into four main sections: academic, student life, finance and facilities, and public service. The first would concern itself primarily with the quality of faculty and educational offerings at UB (and ultimately at the core of the merged institution) and their impact on students through faculty-based academic advising and retention. The second area would prepare itself to take on responsibility for the West Haven campus as well as service to other sites in Connecticut; this would mean that they would have to adjust to a different mode of operation and different methods for staffing and managing student services at sites other than the Bridgeport campus. The third section would monitor the resources of UB (and eventually of the merged institution) and would be an area where cross appointments between the two institutions under federation might prove fruitful.

A fourth section of UB might concentrate its efforts on the needs of external publics. Ultimately, in the merged institution, this unit would also include the extension half of the university's mission. As such, it would help generate the funds needed to support quality programs. It is essential to keep the university sensitive to its publics, but also to keep the academic units from being over-reactive to them in the short term. Therefore, a mechanism is needed to communicate between these two aspects of the university while keeping them at a little distance from one another. It may be desirable for UB to bring aboard a talented outsider to focus all of these "marketing" functions in a coordinated manner appropriate to the service theme of a university.

- continue -

8. In addition, UB would agree to step up its program evaluation efforts to bring a reduced and streamlined university into Phase 3. This will be necessary anyhow under the financial pressures which UB will face in 1983-84 and 1984-85.

Phase 3 would be negotiated after a new labor contract is in place. Its details would bring about a fully combined institution with a main campus housing and nurturing all of the colleges and providing the quality base for a Connecticut-wide network of services viewed as the fulfillment of this particular university's basic mission and a justification for its core and quality.

We regard this as a critical meeting toward the determination of a feasible set of options. We look forward to seeing you.

Sincerely,

Louis Benezet

LB:dk

Enclosures (5):

1. Agenda
2. List of Dinner Guests
3. Attorney Waxman's memo re Legal Aspects of Merger
4. Map of the University of Bridgeport
5. Map of the University of New Haven

Totals:		Following year:
$549K	$758K	(1) $1075 (1575)K
Year 1	Year 2	(2) 320K (3) 680K *Negative costs = Savings

PRELIMINARY ESTIMATE
LEAD COSTS ANALYSIS

Item	Year 1	Year 2	Following Years	Further Work
Management Info-systems	$10K for feasibility study and cost estimate. Both systems operate independently and exchange summary information.		c. $250K for program conversion to one system; $60K to network the computers.	
Transportation	$200K minimum annually. About 1500 FTUG would not have access to private cars (at a cost c $8 per round trip). Therefore lowest service level of buses from each campus hourly @ 50 students (and mail) would be $200K.		$200K continuing. If inter-campus travel by bus became commonplace, the buses to move larger numbers would cost $600K annually for 150 students each way on hourly service and $1M for 200 students.	
Telephone	$20K annually for ten-twelve tie-lines, assuming only one available for student use.		20K, continuing.	
Moving & Renovation	$24K for 10 people. $120 per person-office move; no cost for use of excess office space, $4500 (conversion) to $7500 (new) per person for additional space. If half need additional space, average is $2370 per person moved.	$118K for 50 people.	$95K for 40 or more.	This assumes only administrative changes; should be scaled up to include academic.
Libraries	Consulting Services. 10K	Conversion (internal).20K	Connection. 50K	Consultants to submit fee estimates.
Reaccreditation	$10K Extra internal & visitor costs to reaccredit all programs. Presumes off-campus programs would not be examined until later.	$5K	(?)Policy-dependent costs for separate accreditations of off-campus sites.	

Item	Year 1	Year 2	Following Years	Further Work
Federal Audits	Should be "clean" per treasurers.			
Salary parity (faculty) (staff)	Assume minor changes in first two years.		$100K per year, continuing. Will depend on differences existing at this time, the "slotting-in" process and the time period negotiated for reaching parity.	In process.
Tenured faculty outplacement fellowship	Selection begins for retraining fellowships.	$120K for 20 fellows in tuition, counseling and replacement costs.	$140K plus accelerated cash flow of $500K! Continued replacement costs of $1K@; 20 more fellows @$6K; severance pay of $25K @ for each in the prior year's set; note that this expenditure is one moved forward from the next year's expenditures.	
Legal & negotiation fees	$30K maximum for federation contract. $20K for renegotiation of long-term debt.	(Note: no litigation costs are included here.)	$10K for the later contracts & negotiations.	
Organizational restructuring				Estimates for the academic do not include faculty release time.
- administrative	$10K consulting fees.			
- academic	$25K consulting fees & curriculum workshops.	$25K		
- contract analysis & specification	$40K in non-legal consulting fees.			
Development & name recognition campaigns	$50K additional development costs. $100K Minimal additional expenditure, assuming present development and advertising campaigns are redirected.	$50K $200K	$50K $100K	Expert advice on a recognition campaign will revise this upward considerably.

GSC 2/20/82

DOCUMENT D-1 Letter to Commission Regarding UNH Deficit

DOC. D-1.01

UNIVERSITY MERGER STUDY COMMISSION
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March 25, 1982

Dear Colleague:

We present herewith the product of a period of work in which we have sought to bring together your contributions to the problem at hand.

The draft we offer focuses prominently upon institutional mission and educational goals in the manner of a Heald Commission report for Case-Western Reserve, yet also addresses financial questions. As we understand the purposes of our public report, the underlying rational for merger should be presented in ways which will assist the constituencies to form a new institution. As such it is a highly political statement. For other purposes it needs also to be exact in its mechanisms and based on extensive analysis. It is our intention to make further analysis available as the two presidents may request and primarily in oral form with supporting documentation. The analysis will, of course, be part of the history of this venture once it has become history.

For purposes of our work together on April 5th, we present a draft which we feel is as broad, as detailed, and as forthright as the Commission may wish to endorse. We do this because it will be easier for us, under the press of time, to excise and otherwise soften such a text than it would be to move in the opposite direction. We expect that we also shall have changes to contribute at that time. Our intent is to begin the process with a vote on the general direction of the document and a call for a list of particular points of concern which would then be discussed and voted. We might then move fairly rapidly through an outline to be provided at the meeting to insure that the text reflects the thoughts of the full Commission.

As a preliminary but vital part of our meeting, Mrs. Chambers will be presenting the remaining documents concerning financial feasibility. Materials will be forwarded to you as time makes possible beforehand.

The newspaper clippings enclosed bear upon our task. We are making every effort to make a broad and accurate assessment of the extent to which recent developments alter the situation here. In our earliest reaction, and before we have been able to fully discover facts and attitudes surrounding this event, we have come to the following thoughts:

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1. The recent UNH financial disclosures do not basically alter the charge to the Commission, which has been to investigate potential merger between two viable and relatively balanced institutions. We have been aware for some time that there is an imbalance between the two institutions. We feel that this represents a shift in degree rather than a change in direction. Moreover, it would be presumptuous for us to assume that any imbalance signaled here will dominate the boards' considerations or that it will alter the inclination which they have shown to enter into a balanced arrangement. Therefore, we feel it is still appropriate for the Commission to base its recommendations upon the "balance" precept with the provision that we be prepared to give them our thoughts on other approaches should those become central to their thinking in the weeks ahead. It is helpful, for instance, that the Commission in its February session expressly considered forms of merger which would have allowed imbalances to become more exaggerated before negotiations were finalized. We could be specific on this point in the oral part of our presentation to the Boards.

2. The fundamental reasons why this merger should take place remain those expressed in our draft. The difference is that the case may need to be made more clearly to Bridgeport's trustees than it would have previously due to what on the face of things now may appear to be a riskier situation. We are preparing such a "case" for discussion on the 5th of April.

3. If further developments take on great significance during the weeks ahead, it is the form of merger rather than its underlying worth which will change: corporate form, negotiating positions, relationships with creditors, relationships between the boards, questions of dominance, and both a need and an opportunity to escape some of the difficulties involved in this particular merger. If these developments go so far as to suggest acquisition from a strong bargaining position, many of the problems with which we have struggled will be the more easily resolved.

4. Regardless of how and whether merger is negotiated by the boards, it is certainly helpful to the future of both institutions, separately or together, that the Commission express its hopes for these places in terms of constructive cooperation as coequals. If circumstances then force other arrangements, these can perhaps be felt to be mechanical concessions to necessity rather than a wilfull and necessary dominance of one institution by another.

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WHY UB NEEDS UNH

(Notes by Gail Chambers, Mar. 24, 1982.)

The commission in its work has decided that neither institution should enter into a merger if the institution could create a better future on its own. In light of the weakening financial position at the University of New Haven, the question arises as to why the University of Bridgeport needs UNH.

What we have found in our work is that UNH serves different markets than does UB, both geographically and in the price/quality continuum. The University of Bridgeport has established itself as an acceptable local university moderately priced for full-time students but relatively expensive for part-time students in the region. If it wishes to compete in the part-time market, either in its immediate geographical region or in other areas across the state, UB must develop 1) a pricing structure which will compete and yet be able to support costs and make a contribution to the university; 2) a distribution system that keeps costs low enough not to lose money at the lower price; 3) a quality of operation which will dominate the market for lower-priced part-time degrees; 4) some product lines which are especially appealing to the part-time market; and 5) rules of access which will make university study convenient for part-time students.

It seems that the University of Bridgeport with its better reputation might be able to acquire the best of both worlds in the part-time market by joining with UNH. In doing so it would acquire a distribution system, including the faculty needed to staff it. In order to retain its quality it would have to make some shifts toward more expensive full-time faculty but these might be covered by saving duplication of off-campus sites and offerings. If it brought along the UNH faculty and kept the programs, merely upgrading some of the services and instructional aspects, it would most certainly acquire the current student body and continue to attract new students in the part-time market at a properly low price. In addition the new offerings not currently available at UB would help it diversify its programming toward those offerings most likely to experience growth through increased labor market demand for graduates. Especially if UB can have a clear route to escape some of the liabilities which UNH brings to the picture, it would have found a way to reposition itself into one of the growing areas of university service, something which would take years to develop on its own at far greater cost. In its full-time programming it would also find that its diversity had grown but at the suggested higher tuition rates there would have to be strong financial aid programs in order to retain the somewhat poorer students who currently select between UNH and public institutions. Any programs which were acquired and did not make a substantial contribution could, under procedures in place at UB, be eliminated with the proper treatment of students in the pipeline.

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The problem as I see it is one of distinguishing the market for price quality combinations, raising the quality of the part-time offerings while retaining their low price in the hopes that volume there will keep revenues above costs; then raising the price of the higher quality full-time programs accompanied by a strong discounting to attract those students who would otherwise attend public institutions. In the process, if the University of Bridgeport is able to "bail out" the University of New Haven, it should make gains in its creditor relations and gain also in community and state relations. If arrangements can be made so that University of Bridgeport has an escape route following a trial period, it will be able to judge whether its pricing policies and perceived quality increases plus savings from duplication will make the strategy work. A trial period, of say, five years would give it time to develop and test the strategy and still have time to withdraw to a modified prior position with consideration for its population.

MERGER STUDY COMMISSION
UNIVERSITY OF BRIDGEPORT AND UNIVERSITY OF NEW HAVEN

Project Title:

Background Material for Commission Debate

April, 1982

This report by the staff of the Merger Study Commission represents some background to the Commission's deliberations but not its consensus. The Commission's unanimous recommendations are set forth in its Report of April 5, 1982.

The period of study reflected in this staff paper was contracted by the executive committees of the boards of trustees of the two universities to explore feasibility of merger between the two institutions in order to develop a strong center of private higher education in southern Connecticut. In reflecting on our work of the past six months, we find it difficult to separate individual points from their effect as a whole. This document seeks to discuss both, in their considerable complexity, and in their recurring relationships to one another; we offer it because it may help inform debate, as it did for the Commissioners on basic issues and relevant detail.

WHAT THE COMMISSION DID

In February of 1981, the executive committees of both boards agreed to bring their thoughts concerning merger under a period of study. Following the commitments of the Ford and Exxon Foundations to help fund such a study, the presidents appointed an outside commission of educators and specialists to develop the necessary information and recommend whether or not some form of cooperative effort might be desirable. Using the preceding work of the presidents, trustees, and outside consultants as a jumping-off point, the Commission began its work in November of 1981.

Its first task was to know the universities squarely as they stand now with their individual histories, implicit and explicit missions, strengths, and weaknesses. Since there had been little exchange of data and little acquaintance between personnel of these two institutions prior to the suggestion of unification, much of the early work of the Commission was involved in drawing together a basis for understanding how they might relate to one another. Following the Commission's December meeting, its staff turned attention to extensive interviewing on both campuses, a process which continues throughout the period of writing this report. Throughout the interview process, the staff of the Commission has been impressed by the depth of thought and commitment which those who live and work at these universities bring to their missions. Their recommendations are based in large part upon the quality and wisdom of the people with whom it has had the privilege of working. In fact, the staff of the Commission finds itself in the proper role of articulating those things which many in the universities have themselves been telling us.

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The Commission began its work by asking first what it was that made these universities distinctive already, and asking whether these strengths could be blended to any degree -- from handshakes between individuals in comparable positions, all the way through consortial arrangements perhaps to full merger -- in order to bring strong educational advantages to their students and to the regions they serve. At the same time, the Commission's staff was asked to bring together background information upon which the feasibility of any such arrangement could be studied. Accordingly, studies went forward on the various extraordinary costs which could be incurred by the universities under different forms of cooperative venture and the various resources which could be brought to bear to cover these expenses. Studies included analyses of the financial positions of each institution, projections of enrollment for the institutions separately and additively, studies of possible economies in the financing of administrative services and the academic realm along with studies of questions of accreditation and legal constraints.

In all of the Commission's deliberations, it was assumed that any recommended pattern of action should come as a natural outgrowth of the histories and missions of both universities: that the recommended action should represent a substantial educational improvement in order to justify the risks and difficulties of change; that it should signal a stronger future for each institution than could be achieved by that institution separately; and that it would have to be within reach of those who would carry it forward and make it their own.

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The Commission understood that it would be in the unique position of reflecting upon both institutions objectively. Therefore it would perhaps see possibilities or barriers not clearly visible to those whose thoughts have been devoted to their own institution. Nevertheless, whatever the Commission proposed would be based on the wisdom of those who knew the places best.

FINDINGS OF THE STAFF

The essence of a modern university

The central question facing the Commission was whether or not there was enough unity of thought and mission between these two institutions in this region to suggest that they could become one. This was also a common concern voiced on both campuses. The staff was frequently asked what "model" of university the Commission might have in mind, or as a correlary, whether the Commission was considering a place which would measure its progress by a move toward pure research and Ph.D. level work in the mode of widely recognized universities. In turning this question back to its campus sources, the staff was impressed by the tendency of people at all levels of the institution to imply that goals of this sort would be inappropriate. We found a quite remarkable belief that such aspirations would not only waste precious resources but that they would be untrue to the kind of work which these schools have found most satisfying. There was a pervasive sense of mission, though often more implicit than documented, which point these universities in a different direction from the ususal norm of the scholar's pursuit of knowledge for its own sake.

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It is not that they have either a better or a worse calling than do traditional, research-oriented institutions, but that they may be capable of becoming in this time and place and under these circumstances, a model for a uniquely American sort of excellence in higher education, applying the theoretical to the pragmatic for the use of persons from all walks of life, persons who are themselves on campus, representative of that broad range of human service.

A sense of place

The Commission in its deliberations has not only been concerned with the geographical distance between the two universities but with the implications that this has for their sense of community. The University of Bridgeport and the University of New Haven have each grown out of the strengths and contributions of communities which have traditionally had little to do with one another. If these communities still represent the universities' base of support and service, then sociological distances could be even greater than the geographical ones. The staff finds, however, that both institutions have reached a point where they have grown beyond their original locales into patterns of broad regional service. They might now better be described as private universities centered at Bridgeport and centered at West Haven but responsive to the needs for educational services throughout the coastal corridor. As such, they have more in common geographically than they have to separate them. A timely change in name and identity would not only reflect this reality but would enable the institutions together to draw upon the loyalties of the entire region, placing them squarely into a future of statewide and regional service.

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Demographically speaking, to the best of our knowledge there are comparatively few models of so broadly based a university in private higher education as is represented by the combined constituencies of the Universities of Bridgeport and New Haven. The needs of the region and the historical positioning of the universities create here an opportunity for private higher education to be of service in a new and distinctive way. It is possible that these two universities together, with others possibly joining them in the future, could find that common mission and combined strengths allow them to create a system of service whose closest parallel is that of the public universities in Midwestern states. Unlike public systems of higher education, however, such a system would offer a test of the concept that an articulate citizenry and an enterpreneurial society are best served by private means of support for institutions separated from government dominance. In building toward a network of service parallel to that of the great public institutions, the new university could demonstrate that the resources necessary for such an enterprise can be attracted by means other than taxation and government oversight. This would be a central extension of the uniquely American governance arrangements which attempt to separate even public institutions from direct government controls. As a private system, however, it could go one step further in contracting for services to organizations in the region in a manner which might seem difficult or inappropriate to tax-supported institutions. In doing so, the new university might draw both national attention and regional support as a model of higher education enterprise in the strongest tradition of American private higher education.

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We recommend that the first purpose of this cooperative effort be to serve as a center of private higher learning for the benefit of southern Connecticut and its contiguous geographical regions.

A sense of time and condition

Such a goal is not to be accomplished rapidly by large infusions of new money. It must instead be accomplished by unusually perceptive and creative use of the materials at hand. Once accomplished and proven, we feel it could draw recognition and support of a magnitude not yet considered by either institution. It is important, however, that the institutions face such a task realistically. While both are in viable financial condition now, and both have historical experience in dealing with financial setbacks, the staff feels that each will be severely threatened by circumstance in the near future in ways which could change radically their separate abilities to fulfill current plans and obligations. Therefore we believe that there is no margin for error in what these institutions decide to do. They must be true to their strengths and must not shrink from changes which would use these strengths to create a future both focused and distinctive.

We recommend that these institutions choose full merger* as the form of cooperation which best ensures the future of their mission.

A unity of mission

The formation of a university with its multiple missions and programs, proceeds upon the foundation of basic arts and sciences which are taught

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*The term "merger" as used in this report, means a combination rather than any particular form.

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and researched by scholar teachers, the best that the university can have. Both the University of New Haven and the University of Bridgeport have repeatedly stressed the importance of this foundation to their abilities to offer work in the applied disciplines. Both have expressed anxiety and even distress over the fact that enrollment-dependent institutions find it difficult at the same time to support the foundations of basic study. The opportunity to build such a university is heightened when two institutions operating at a university level (minus only at present the provision of non-professional doctoral studies) decide to seek common cause. Whether the resulting form is two campuses or more or less is not the deciding factor. What needs to be decided is a central mission to provide a higher learning that is both basic and applied, general and professional. When that unity in thought has been reached by the main parties concerned, the university has started and its particular method of merging can proceed on its way.

We recommend that the new institution offer career-oriented programs based upon a strong core of basic disciplines in the liberal and arts sciences.

The most striking commonality between these two institutions goes well beyond aspirations to retain a quality university structure in the face of difficult markets. From their separate beginnings they have each been committed to providing class-blind access to private higher education. This dream of mass higher education has been a guiding principle of national and state policy in higher education for the past three decades. Nevertheless, there has been the distinct sentiment abroad that private higher education is for the well-to-do and that public institutions are the ones which provide access to students from financially less able backgrounds.

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Despite the efforts of private institutions to be egalitarian, most have tended to be in the main homogeneous places, each sheltering sets of students and professors from a relatively narrow range of backgrounds. It has been left to the monolithic public systems to provide access across the broadest possible societal range.

This period of commitment to mass access - even in these limiting ways - seems now to be drawing to a close. As the president of CCNY, Bernard W. Harleston, stated in his recent inaugural address, "There are growing and deepening constraints on the pursuit of higher education, especially by the economically non-affluent." Even the public institutions now find themselves moving from this basic orientation in their mission toward a necessity to limit admission because of diminishing appropriations by their legislatures. The distinctive histories and locations of the Universities of Bridgeport and New Haven place them squarely at odds with this national trend to erode access to higher education for the poorer and for the less fully prepared, with the accompanying trend toward elitism throughout the higher education industry.

A university contemplating appearance as a new major thrust in higher education needs to decide what clientele it can best serve. Southern Connecticut is a complex of high income professionals and low income populations, many of whom are second generation Americans without much educational background. The urban and suburban composition of the region makes it a bimodal distribution of affluent and modestly-off families. Choice does not imply, however, that the choice must be between social groups: a newly merged university comprising two non-Ivy components will almost certainly not command a wealthy, status-minded clientele at the start. Neither must it find its mission as one which isolates the less

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wealthy from groups with varying backgrounds. One of the major shortcomings of American higher education is a tendency to stratify social opportunities, and doing so has made it less useful than it could be for a society which believes that talent and perseverance are valuable regardless of social background. The staff finds it striking that these two universities, so close to one another and possibly influenced by the very diversity of the communities from which they have arisen, have concentrated on providing access to quality education for students diverse in age, background and financial condition. We suggest, therefore, that admission be offered to students in recognition of preparation and ability for college; but that patterns of admission and a portion of enrollment continue to be offered to applicants who show desire for college study but must improve skills in order to bring them to a performance level of acceptable quality college standards within a reasonable period of time.

A merged university with broad access as one of its missions could serve as a model for the ways in which the nation can revive diversity in its institutions despite the present problems of restricted student aid. As such, it could attract participants and support from among those who believe that such diversity is essential to education for democratic society. This mission must not be permitted to dwell only in the state colleges; if it does, a feeling of class difference between the private and the public university student bodies will announce that we believe in democratic society in education, but that we leave it to the public institution to practice this belief.

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Much has been said of the problems which demographic decline will bring to institutions in the northeast. What the staff has found in looking at these universities is that their populations, through policies of broad access and service, have already placed them in an unusually strong position to survive these changes. Because each of them has provided opportunities for older students, demographic forces will encourage growth from 1980 through 1985 and suggest a decline of only 7% through the year 2000. Whereby other institutions will have to change their raisons d'etre as they scramble to change from exclusively undergraduate populations, these universities have only to further focus their distinctive internal orientations to find themselves attracting a larger share of the demographically larger market. It is important, however, that they move to do so now so that as other institutions begin to shift, the new university can dominate this realm of broad admission by the skills and understanding which come from long practice.

We recommend that in keeping with the developments of the late 20th century, a program encouraging enrollment of students from a wide range of backgrounds and preparations both at home and abroad continue to be practiced as it is now in both constituent universities. And further, balanced consideration be given to the residential student, the commuting student and the part-time student.

Special programs which are currently offered by the two institutions demonstrate the degree to which they have committed themselves to preparing people from a variety of backgrounds. We feel that these programs and others like them would reflect the core of the new university's mission:

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1. Cooperative education. As it exists at the University of Bridgeport and as it is growing at the University of New Haven, "co-op" promises to provide continuing financial access to those students unable to support themselves in higher education without massive governmental aid. Moreover, it does so in line with a commitment to prepare people to combine their intellectual life with the world of work.
2. Part-time study arrangements. Policies which remove any stigma and logistical problems in providing students access to part-time study both help them finance their educations and provide many of the same educational advantages of the co-op movement. The range of options needs to be expanded so that students can move freely back and forth across the lines between college and employment at different points in their lives according to their individual needs and requirements.
3. Basic studies and developmental writing. The basic studies program at Bridgeport provides access for those who have been underprepared. It is commendable in that it provides both support and the realism of standard examination requirements. The developmental writing program at UNH provides carefully structured support for students with learning problems, especially those from non-traditional backgrounds. Of special note is a proposal to use computer video interactive remedial instruction as a support for these and other students who need tutorial assistance in order to fill in gaps in their background. The development of such a system would allow efficient service to students at numerous sites.

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4. Provisional admission. Provisional admission has been practiced at UNH in some graduate programs to provide an opportunity for students who have not planned toward graduate work to try study in the actual programs while they are bringing together their credentials and deciding about their own commitment. This provides a unique form of access to the part-time student and especially to the older student. As in basic studies at Bridgeport, students must meet the normal standards of performance and hence get realistic information about their abilities to handle graduate programs.

5. International students and ELS opportunities. The active recruitment of students from other nations, and a commitment to assist them through English Language Services benefits these students and the university community as a whole.

6. Access to classes at convenient locations and times. The efforts of both institutions to take their programs to students in settings close to home or work and at convenient times have allowed those who are already productive in our society to obtain skills to make them more so. This is especially noted in the on-site programs which have been mounted by the University of New Haven in industrial locations, and in its network of sites for continuing education. Both universities together now have an opportunity to

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overcome some of the difficulties of providing such service across the state. Combined service in some regions may provide the critical numbers needed to offer a full curriculum without cancelling needed sections. A proposal to use interactive instructional television (IITV) to service satellite facilities in communities and corporate sites would use equipment existing at both campuses, plus cable TV systems in the region, to establish such a system at minimal cost (there is already a strong expression of interest on the part of the UB law school to explore this concept as a means for delivering continuing legal education to suburban sites.) Through their combined strengths, the universities might be the first to explore the depth of service which these new technologies would make possible for the region.

The strength of these initiatives in the face of limited resources during the recent past are indicative of how central access has been implicit to the mission of these institutions. We suggest that programs of this sort be encouraged and expanded and that the university consider innovations for serving the non-traditional student to be central to its mission and seek outside funding to support such innovation. Because melding the traditional work/study division would be a central correllary of the new university's mission, co-op, placement services, part-time study arrangements, and corporate tuition benefits might be seen as points along a continuum which could be further developed to help encourage greater variety in patterns of work and study.

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By focusing on its distinctive mission and letting this guide its policies, the university may find itself creating distinctive standards of performance for private higher education. For instance, an institution which believes that homogeneity in higher education creates a better prepared citizenry, and that ambition and perseverance are to be rewarded in spite of background, might find itself upgrading its admission standards by a very unusual yardstick. Rather than measuring institutional progress by rises in the mean of its students' test scores, such an institution might concentrate instead on increasing the measures of dispersion and on an improved record of retention for students from the lower end of its distribution. We suggest that the new university establish a strong system of faculty advising with counselor support to help retain students through improved understanding of what it means to engage in the academic disciplines and through improved understanding of how to provide themselves with the skills and abilities to do so. This would be in addition to assistance for "stopping out" (or in) as a student's individual circumstances dictate.

An underlying complementarity.

Early in our work it became clear that despite their common mission these two institutions have reached toward it in quite different ways. One school is primarily residential, the other primarily commuting. One institution has predominantly full-time students taught by full-time faculty. The other contains a greater proportion of part-time students and adjunct faculty. One school has concentrated on recruiting national and international groups of students to provide a more cosmopolitan residential life. Simultaneously, the expertise of the other

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school has focused upon regional recruitment of students from all walks of life. There is a consistency in these differences. The staff feels that this consistency reflects two basic kinds of service provided by most well-established universities: (1) a core of on-campus quality supported by a residential program of full-time faculty and students, and (2) programs which extend this base of service to surrounding communities, often with missionary zeal. The second orientation provides resources which support the basic core of departmental structures. Possibly because it cannot do its job well unless based in a strong university, the extension operation has often been looked down upon by the university as a whole, although those within these centers often consider them to reflect the real work of their institution. At a quality university both internal and external roles can balance and support one another to provide greater excellence, both in quality and in its delivery, than can either mode of operation alone.

The staff findsthat these universities, with their limited resources, have been unable separately to bring about such a balance. Teacher overload is one undesirable result. The University of Bridgeport has long felt the need to better extend its services; the University of New Haven has likewise felt the need to have greater resources, in terms of both personnel and facilities, to supporting its extended service. By combining these institutions within their common mission, the major modes which each one has lacked can come together, placing the new university into the ranks of those which support a full range of internal quality and a full range of external service. It is encouraging to find that a basic complementarity exists here, indicating that these two institutions together may achieve with great ease a stature which neither could reach alone.

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We feel that in ways which are fundamentally true to their histories and missions, the Universities of Bridgeport and New Haven can combine to create a focused university of considerably greater stature.

Thoughts concerning format and time.

As the staff arrived at an understanding of what these institutions might be able to do together, it also considered a number of formats and procedures which could bring this to fruition. We considered ways in which the institutions could move gradually or partially toward combined strength over time. We came to the conclusion that under the circumstances none of these would be manageable. The coming financial difficulties of the next few years make it imperative that the advantages of merger be realized as quickly as possible.

The essence of the merger question may be expressed by the alternatives of a model:

1. One university with two main campuses whose plans and programs are centrally planned and coordinated or:
2. One university in name and reporting function with two branches, each operating an educational and campus program essentially under its own conception.

In either case, it would be providential and necessary to merge the business and financial elements of the two branches into one, subscribing to one overall fiscal and accounting system. That would not require, however, that the academic and other program features of the campuses be merged or even coordinated. If there were to be such a failure to merge the academic program aspects, we feel certain that educational benefits of a merger would not be realized. Since these would be the basis which would eventually ensure the future of the university, we cannot recommend a format which would frustrate their realization.

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One of the major problems which the two institutions now face is that there has been almost no history of cooperative effort or even of acquaintance between the two schools. What they will need in order to move forward is a shared vision and a structure which reflects it. The staff feels that retention of two faculties and two administrations and two student bodies and two boards would create a structural relationship which would emphasize separate historical backgrounds. In light of their lack of a prior shared history, we feel such a relationship would leave the two institutions unable to articulate their common strength.

We recommend that the two institutions be combined legally at the earliest possible date; that in the interim they be contracted to one another in such a way as to both signal that an integrated future will arrive and to require that all constituencies move into that future.

What is called for here is bold action now. The staff feels that there will be enough good faith effort within both universities to rise to such a challenge and enough compulsion in the circumstances of the times to help them see this as both necessary and desirable. The staff is therefore specifically recommending against gradual merger and against partial arrangements.

We recommend that the existing boards at their earliest full sessions, and with such amendments to their charters and bylaws as may be required, establish a holding company with a board empowered to bring about, at the earliest possible date, a fully unified university under a single new board of trustees. That this holding company board should be composed of seven trustees from each institution's board and additionally, five leading citizens as agreed upon by the boards of the existing universities. That

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the holding company board duly constitute itself, decide upon the form of the merger, and take all necessary steps to implement it, including selection of officers to lead the new university. That the charge to the holding company board be clearly distinguished from the ongoing operating responsibilities of the existing boards as they continue to govern the separate operations until formal integration. In recommending that the universities establish a holding company and a holding company board the staff does not intend that this carry any inference as to legal mechanisms which the organization might choose as the vehicle to accomplish its integration.

The charge to such a holding board would be an extraordinary one: to define the form of merger, to convene its new board and to help select and have ready for office-taking at legal merger, a president with his or her initial administrative staff and academic structure. The staff feels that the current lack of shared vision between the two universities and the lack among the public of those acquainted with both institutions call for extraordinary involvement at the board level if a single institution is to operate as such in a manner timely enough to survive. Moreoever, by making these matters the responsibility of a neutral board, we hope to assure the full acceptance of their choices. We are cognizant that creating a board with so broad a charge will require great faith on the part of the existing boards.

Such a holding board would need to avail itself of the best internal and external leadership which it could find to assist in its task. We would expect that the holding board would want to bring together a committee to begin developing the mission and goals of the university. This committee might be composed of faculty members who have demonstrated their abilities in the past to bring vision and leadership to their programs; of trustees

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who take a particular interest in the educational possibilities of the institution; and of educators and leaders from outside either institution who can give guidance to the ways in which this new university fits within its national region and within the traditions of higher education. We also believe that foundation support could be sought for consultencies to assist in guiding the combination of administrative and academic units, but suggest that the chief task of making this work be given over to those individuals at all levels of the institution who show the willingness and the creativity necessary to step outside of their former "turfs" to create a stronger and better place which they themselves will occupy.

Educational Advantages.

In its deliberations the staff placed first priority on the fact that a cooperative venture must be in tune with the histories and missions of both institutions. Its second criterion was that it bring educational advantages of considerable scope to the new university which could not be achieved by these institutions separately. Because the staff feels that the institution, under its new board and combined leadership with its mission clearly articulated, will move in its own ways toward educational strength, the following recommendations and predictions go somewhat beyond the scope of the Commission's original charge. They were part of our estimates of what the worth of the venture would be, however, and hence ultimately of its workability. We do not intend to suggest that all of the ideas which follow herein could or should be carried out by the new university, or to imply that this list would in any way be comprehensive. These things are, instead, predictions of ways in which the new university might choose to develop its strengths once its varying components have been placed into new constellations with one another. We include them here as estimates of what might evolve through the changes we recommend.

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One of the striking opportunities which change of this scope presents is for the institution to realign itself within its basic mission. The staff is impressed with the fact that strong necessity will provide an unparalleled opportunity for the new institution to do so fully and soon. Institutions of higher learning tend to change slowly, in a manner which preserves their internal wisdom but often frustrates progress. They also contain a great deal of inertia because people within the organization, from the individual point of view, often have more to gain from the status quo than from change. Here two established universities will be in a position which both calls for and compels creative change.

We see as a live possibility a merged university in fact as well as in design which has the purpose of education for life and work in technological society. It would be oriented toward conveying to students of all ages and situations the knowledge of our industrialized culture and of the human insights necessary to get along in such a society. While it would make quantitative thinking one of its skills, this would be fulfilled along with an understanding of language and of comparative cultures, both in our own country and throughout the world. In its education and training such a university would keep high the primary importance of individual integrity and initiative.

We recommend that in all undergraduate degree programs the curriculum reflect a balanced combination of both general education in the liberal arts and sciences and consideration of the contemporary world of work as represented by professional careers, to be prepared for either directly or through progression on to graduate and professional schools.

To fulfill such a purpose, the new university would have to deal with one of the facts of current academic thought which has turned UB and UNH toward each other: the growth during the 1970's of career orientation in the B.A. curriculum. Professional schools, notably business

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administration and engineering, along with their subspecialties have drawn more attention from students and parents as drives for enrollment approached a greater proportion of job-minded rather than liberal-education-minded prospective students. On both campuses came changes that moved the location of the disciplines of physics, chemistry, mathematics and biology from the arts colleges to either engineering or business administration. Economics likewise is now taught on both campuses under business administration. Communications at UNH was moved from arts and sciences to business. Meanwhile, the arts colleges on both campuses exhibit a more random pattern of courses with a considerable hint of serving as a repository for what could not fit in elsewhere. Majors in the liberal arts have declined; service courses for the professional colleges have increased. Premedical students have become rarities on both campuses; students who do apply to UB and UNH for liberal arts also apply in large numbers to the public universities and apparently choose to attend there at a far lower price.

To help resolve these problems we suggest that a unified approach be developed to provide a strong liberal arts core for study throughout the merged institution.

With such a charge, and in such a setting, liberal education would not concentrate on creating a new generation of specialists in the basic disciplines of the liberal arts and sciences but would instead concentrate on applying the values of liberal education and the knowledge of its basic disciplines to career needs which will stretch into the 21st century.

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There is a live possibility that faculty teaching in the liberal arts and sciences would find such a purpose a challenge to realign the underlying values of their own disciplines in order to meet the needs of a society which on the one hand seems to have left them behind and on the other hand seems to need them more than ever. The necessity of finding the true position of liberal studies within the context of career preparation, along with the fact that this challenge will be driven by necessity, could give these scholars the collective courage to abandon precepts adopted for education in a different age, and to create instead a curriculum suited to the needs of a thoughtful citizenry in a complex and technological world. This is a possibility which, as we view it, could not be reached by either institution without the force, focus, and combined resources and responsibilities which the merged institution could bring to liberal arts and sciences.

In our estimation, other programs as well should benefit from a broader combination of faculty resources and offerings. The process of bringing together diverse programs and people will lead to regularization of teaching, service, and research opportunities as part of the new university's resolution of its priorities. Inevitably new programs will emerge from the movement of disciplines into new relationships with one another: as programs are repositioned in an atmosphere of creative change, new opportunities will suggest themselves to faculty who have not had the opportunity to blend with the faculties of disciplines offered only at the other institution. Even more importantly, within disciplines offered at each university there is now frequently a wide diversity in

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emphasis, indicating a challenging curricular shift for the faculties of these departments as they rethink and realign the philosophical bases for their programming. It is hoped that faculties who find themselves in this position will break through the tendency to argue for either pre-existing philosophy and will seek instead to concentrate on those first principles which are aligned with the new university's basic mission.

There is a clear call for positive factors to be discussed both jointly and separately in the academic communities during the initial planning period. The faculty with whom the Commission staff has met has impressed them as being well prepared and committed to their heavy schedules, but do not seem to feel much drawn into the planning of their respective institutional futures. It seems evident that positive effort is going to be called for in order to implant in the thinking of the two academic communities an enthusiasm for what they can do to improve themselves by coming together.

Composition and location of the colleges would be a matter of first importance to the holding board and to its planning committee. Our own brief period of reflection suggests some principles which might be helpful in this task.

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We recommend that all units, academic and administrative, be integrated within the university and that each be physically located in the place most appropriate to its mission. To achieve this, physical proximity is not in itself essential but organizational unity is.

In addition, a major determining principle in the location of colleges might be the minimization of full-time student travel, subject to facilities constraints. The planners of the new institution will recognize that the juxtaposition of disciplines within a college and of the colleges with one another provides the underlying framework for program integrity and the intellectual support which will become the "engine" of educational advancement. This (rather than financial security for either a department or a college, or administrative convenience) should be the overriding principle in arranging the academic structure. Accordingly, we expect that the new board will avail itself of the best outside wisdom it can reach on this matter and align the thinking of these individuals with that of the best internal academic statesmen from both faculties and administrations.

One of the unspoken problems the staff has dealt with in our survey of UB and UNH is a difference in social attitude on the campuses. It is hard to trace, but it seems to have something to do with the nature of the student body. The UNH students are on average older and are predominantly part-time students. They are hard working in the main and they have relatively less time for the usual residential aspects of campus life. UB on the other hand, is a residential university whose students live more communally, both in respect to one another and their faculty.

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One of the things we sometimes fail to realize is that this difference can affect the attitudes of the faculty. Professors who are on campus with students who live there tend to form relationships with them different from those faculty members who know that their student bodies are rushing on and off campus between jobs and other responsibilities. This and the fact that the two student bodies have expressed no particular interest in becoming closer to one another translates into implications for the educational programs of the new university.

Here we run across one of the gaps in higher education planning in general. There is far too little realization of the sociology of the American campus. We speak of it and yet we fail to remember how pervasive can be the effect of having students of any certain socioeconomic class with its own various kinds of living and working habits upon the sort of education that is meaningful to them and the courses which are both taken and taught. At UNH subjects which have dealt with general education and liberal values have received relatively passive reception. Although many students there would like more of this in their education, their schedules and life requirements do not let them have time to do much liberal arts study when compared with their preparation for a direct move into a job after college. By the same token, the things that students are interested in thinking about and talking about in class and in their life outside of class take their cues from the kinds of life they live and the kinds of environment that is around them. We have no measure of just what this consists of in comparing UNH and UB; one can only have certain hints from what one sees and hears that there are differences of attitude toward life and living on the two campuses, admitting that there are

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also very large overlaps.

Properly handled, this difference in student interests could be a positive stimulus for proving general education. If we have student bodies and even faculties that show differing views toward what is interesting and compelling in general education, it could be the basis of challenging curricular shifts. As one proceeds across the United States from one kind of campus to another, one sees how little realization there is of the sociological differences which have crept into the concept of a general curriculum. By putting together two places which are already diverse and which will become more diverse through merger, we should be able to realize further educational values from the mingling of the two student bodies. There is nothing more stimulating than to be able to bring out the differences in attitude about socioeconomic and philosophical subjects in the classroom itself. Such curricular change should align with the institution's mission of putting together heterogeneous classes in order not to shut its students out from the chance to become educated about how people in other circles with other kinds of social attitudes live. This could be further fortified by a heavy infiltration of international students with their far more cosmopolitan viewpoints, providing a true jolt in perspective for students taking a general education core.

We suggest that the new institution look more keenly into the differences in attitudes on the two campuses, in order to preserve broad heterogeneity within both the student body and the faculties; and that it perpetuate this further in the curriculum in formal and informal ways; that it make use of this in order to help encourage both faculty and students

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to take advantage of an unusually cosmopolitan setting. It is a place for fruitful conversation including some amount of controversy on the subjects of value orientations in campus learning.

Enhanced Service to Students and Alumni.

The most important thing which students stand to gain from the merger is a broader and better choice of programs along with increased national recognition for their preparation. Regardless of where departments are located, each program offering can be made available at other sites upon demand. In other words, each campus could serve as an extension center for offerings of departments housed on the other main campus. This will greatly diversify the programming available to any student attending the university, leading to more creative combinations of elective courses. This diversity will be further complemented by basic core requirements to insure that each student's program has both depth and breadth. The result will be that each student's degree will probably be worth more in the future.

We recommend that in most instances faculty rather than students will travel between sites, with courses scheduled throughout the university in order to minimize the commuting time of the student body.

Students will naturally feel concern about what institutional name will appear on their diplomas. We suggest that students currently

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enrolled be given choices; such choices might include the use of the original name of the institution where they enrolled, a combination of names indicating the history of the new institution, or simply the name of the new institution. We further suggest that careful attention be given to the symbolism of the first commencement after merger.

Alumni likewise can be offered a suitable range of choices in their continuing relationships with the new university. As is normal in these cases, separate alumni organizations can be retained in recognition of identities which have preceded and strengthened the new university. We suggest that the new university support alumni organizations specific in their service to former graduates of the University of Bridgeport and to former graduates of the University of New Haven and plan ahead for the near future in which there will be an alumni organization for students who identify with the enlarged university.

Students will also gain from the university's attention to retaining a highly diverse student body. Programs to insure this diversity, such as retention programs, co-op, basic studies, provisional admissions, etc. will be of direct benefit to the students. With every addition in programming and services there will, of course, be concern as some programs are phased out.

We recommend that programs should be phased out following the merger only through procedures which make due provisions for students already committed to these lines of study.

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Students will also be concerned about loss of intimacy and familiarity as their institution grows in size. The Commission anticipates that with its broader base in terms of student age, location and attendance patterns, the merged institution will need more assistance from its student government bodies to insure full service to its students. This means that what is lost in intimacy can be gained by an increase in the level of genuine contribution made by student groups, with an accompanying depth of learning for those students who choose to take a leadership role in their institution.

There may be opportunities for improvements in student life by consolidating cultural series, club activities, athletic teams, etc. to the extent that these activities can be located to ensure access by the full university community. In the past, attrition at the UNH may in part have been due to disappointment in the non-residential aspects of campus life, something which could now be greatly improved while simultaneously effecting some savings. We suggest that care be given to ways in which students participating in residential and commuting life in different parts of the university can participate in campus life to the extent that they wish to do so.

The group which will benefit most solidly from all of the changes will be the 7,000 part-time students who presumably will compose the majority of the combined student body. While many of these students have little interest in extensive campus life, they will appreciate the greater depth of academic offerings at sites close to their homes and the services which allow them flexible transitions between study and other concerns in their lives. In addition, it will be important for a merged university to extend its improved resources specifically to these groups of students

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through, perhaps, interactive television, a better quality of faculty at extension centers, a broader range of courses actually taught at these centers because of combined demand, and through proper resolution of the problem of providing library services to students taking courses at a distance from either of the main campuses.

We recommend that policies concerning the use of adjunct professors, faculty teaching loads, and faculty travel be designed so that extension courses are staffed heavily by full-time faculty, preferably as part of their regular teaching loads.

Service to part-time students is in line with the mission which we predict will be central to the new university. Their needs must not be met only as possible. Nor should faculty in their natural affinity to work closely with residential students be allowed to become myopic in their programming for the majority of the university's student body. Recommendations concerning mechanisms for maintaining this stand will be treated at another place in this report. What we wish to stress here is that the part-time students will gain from the changes which merger will bring and that it is in line with the university's mission that policies be designed in such a way as to assure that these gains are realized. Such changes should also make it possible for off-campus offerings to meet the more rigorous accrediting standards of the future.

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Enhanced Service to the Region.

A broadened institution will not only provide educated persons for the region but in its expanded extension work and flexible programming it will encourage those in the community who wish to continue to educate themselves throughout the different periods of their lives. It will provide enhanced cultural and intellectual resources for the communities within commuting distance of the main campuses;a larger and more accessible library, better fine arts resources, and better cultural programming for the public. Equally important, if not more so, such an expanded university will tend to provide a forum for public expression on issues important to the region, the state and the nation from a stance which is almost inevitably freer from pressures than may be expected on publically controlled campuses.

In its concentration of corporate strength, the southwest corridor of Connecticut resembles similar concentrations in Boston and Palo Alto. Unlike those concentrations, however, the Connecticut corridor lacks any major educational institution to service its needs. Moreover, as John C. Hoy has pointed out in his recent study for the New England Board of Higher Education, New England's private higher education sector has not moved to make service to such concentrations central to its role: "The region's independent higher-education resource, however distinguished, seems disinclined on the whole to revise curricula in conformity with area manpower needs. Even the prospect of an expanding economy, in which new forms of technical and professional training are required, seems unlikely to pursuade most private institutions to identify fully with regional development."*

*Business and Academia, University Press of New England; Hanover, N.H., 1981 (ed. John C. Hoy and Melvin H. Bernstein) page 24

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Hoy points out that the public sector therefore has a clear mandate to address public need for well-trained manpower. It seems presently unlikely that funding by the state will allow the public institutions to enlarge their services to the southwest Connecticut corridor. Chief corporate executives in the state have frequently expressed frustration over such a situation and have urged the private institutions "do something" to correct it. The merger of UB and UNH into a career-oriented diverse private institution could offer a system of service to the region similar to what is offered by midwestern public universities.

If service to the region becomes central to the new institution's mission and if this is used as a guide for long-term planning, the staff anticipates that it will make the new university a place of adventure and stimulation affecting the community around it. Moreover, the institution will thereby become progressively indispensible in its setting. Issues of state-relatedness and of state funding may then be viewed by the new governing board in a different context. These will become real not on the basis of "clout" but on a repositioned university with a central role in the economic health of the region. This route seems realistic in view of state level attitudes that private colleges should be supported only to the extent to which they provide central services not otherwise available in their region. For instance, it may be possible for the university to arrange contracts supporting instruction for the wider availability of some disciplines, such as engineering, and it may also be possible to arrange for upper division community college transfer contracts. On the other hand, an overall alignment of the university with public higher education might hamper its abilities to be flexible in its programming, to be of direct service to corporations, and to retain some of the academic emphases which make it attractive to its student body.

As the former Chancellor of the Board of Regents of Ohio, John D. Millett, has said, "The next 20 years of higher education belong to the universities which best serve the reindustrialization and the technological

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innovation needed in America." The Commission feels that industry will support the university on an expanded quid pro quo basis after its new benefits and capacities have grown to significant stature.

Just as industry in the region has been underserved, there is a strong indication that other realms of community service need a strengthened university in southern Connecticut. In the health sciences, for instance, it has been more likely that service arrangements were developed between individual faculty members and the community than that they were sought out and arranged through a program fostered by the institution.

We recommend that the connection between the new university's capabilities and its services to industry be considered a primary goal of administrative and academic cooperation; that the new university review its service to the community in the broadest sense and actively seek opportunities in the non-industrial sectors as well.

Improved Financial Position.

In assessing the current financial position of each institution, the staff has found that while each is currently viable, neither has a reassuring margin of resources for meeting adverse conditions short of making internal cuts which could alter basic quality and educational nature. Both institutions were aware of this as they entertained early considerations of merger. As has been indicated earlier in this

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report, the staff's analysis of enrollment trends finds a somewhat optimistic picture in so far as demographic trends are concerned. Offsetting these are major downward changes in patterns of federal aid to students which threaten to translate themselves either into major budgetary shortfalls for both institutions or into major enrollment declines with the same effect. We find that these shifts in federal policy, if in fact they are effected according to the Reagan budget proposals, place an urgency upon the need for UB and UNH to undertake the degree of change which will be necessary to ensure a position among the financially stable institutions. It has been assumed by the staff that the same adversities which threaten the separate institutions will threaten the newly merged one, but that merger will bring with it access to additional resources and mechanisms which will allow it to handle this adversity in ways which will make possible better educational outcomes.

Nearly all private institutions of higher learning have faced financial difficulties at some point. The quality of their futures often has depended upon the priorities they set during such periods. A college which seeks first to survive in sheer market terms will destroy the internal strength and integrity which forms the basis for that very survival. Although this may seem obvious, an illustration of how the two universities have budgeted themselves will show why it is necessary to

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address the issues directly.

Budgeting at the UNH has been highlighted by its accreditation visitors as an asset to an institution which is enrollment dependent. The procedure there is to estimate what revenues will be for a particular year given reasonably competitive tuition charges, and then to adjust expenditures throughout the system so that the institution can remain "in the black." Since prediction of revenues is not always exact, this method leads to short run adjustments throughout the fiscal year in order to retain the financial goal of matching revenues and expenditures. The results of these adjustments are much like those which occur when a government appropriation is less than originally planned: inefficient planning of the order and scale of operations, demoralization of personnel, an over-emphasis on short-run thinking, and a resulting consciousness of financial measures of performance at the expense of educational measures and goals. The result is that although the University of New Naven remains solvent, there is pressure on its internal structure to make changes for necessity's sake in the short run which cannot avoid damaging its reputation and spirit.

The University of Bridgeport combines an incremental budgeting approach with a system of program evaluation based on educational service and financial considerations. This suggests a long-range pattern for bringing economies necessary to the operation of a university. The strength of an incremental budgeting arrangement is in its recognition that most of what a university does represents a desirable use of

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resources. Budgetary requests are judged reasonable or not in relation to the previous years' allotment without taking a hard look at the productivity of that basic allotment. The drawback of this form of budgeting is that it can lead to continued use of resources in "fat" programs which could be transferred to areas under strain, and to the continued use of resources for programs which are no longer central to the service and missions of a university. The latter problem is taken care of in part by the program evaluation mechanism, but this does not handle the problem of reductions of resources to areas oversupplied; i.e., it provides no equivalent to the mechanisms for "thinning out" operating ratios such as have been skillfully employed at the University of New Haven. With this budgeting arrangement the University of Bridgeport runs the risk of having its expenditures exceed its revenues in a particular year, and in fact, it has had such a history. Because it has also had a somewhat larger margin for error, however, it has been able to sustain this method of financial management.

We recommend that the new institution seek to produce a system of incentives and control which will encourage long range educational thinking and financial stability.

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Lead Costs of Merger.

In light of this financial picture, one of our major concerns has been the need for additional funds to cover the cost of bringing about the recommended changes. These must be added to whatever other shortfalls seem to be in the offing for the two institutions in order to estimate whether sufficient resources will be available to support a new university until it can realize financially the benefits of its undertaking.

Examples of the kinds of expense which have been considered are those related to: management information systems, transportation needs, communication needs, moving and renovation costs, improvement and connection of library services, reaccreditation, assistance from outside experts, personnel expenditures, and sufficient publicity so that the new university's name and functions will be recognized in the region and beyond. The scale of these expenses for merger itself will be $1/2 million over three (3) years plus about $300,000 annually in increased operating expenses (mostly transportation); the cost of accompanying enhancements to programs and services could be an additional million dollars. Although this is a small price to pay for the resulting benefits, it is still an expense which must be met. The rest of this section is devoted to the staff's anticipation of where funds of this scale might be found.

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Economies of Scale

Mergers taking place during eras of growth have found that any economies which their departments realized have tended to be translated into increased service rather than into decreased budgets. For those institutions which specifically sought economies through merger, experience indicates that it has taken as much as half a decade before these have begun to materialize. Moreover, the 18 miles between the Bridgeport and West Haven campuses alone will require duplication of many services at both sites even though some operations can be consolidated on one or the other of the two campuses.

Of great significance is the fact that the UNH has already achieved extremely lean ratios by relentlessly pressing its personnel and its facilities. If the new institution chose to administer itself as leanly as they do currently in New Haven ($843 per FTE student in purely administrative costs), savings might be in the range of $3.3 million annually. If the new institution chooses instead to follow patterns which lead to the UB ratio ($1,493 per FTE student) it would need an additional $2.8 million per year in order to do so. Neither figure is realistic, but they set high and low limits on "economies" in the administrative areas. Differences in FTE student/faculty ratios signal a similar need for policy in the academic area. We suggest that the new board determine what general levels of administrative and academic expenditures will be reasonable after the transition period, given the service and educational goals of the new institution, and that planning for economies at the departmental level be done with these policies specifically in mind.

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Tuition Revenues

The staff feels that the new university should not look specifically to increases in tuition revenue as a major source of new funds. Although skilled management of tuition rates and a centrally administered financial aid program could result in more equitable rates, the new university must be cognizant of the fact that in order to meet its goals of broad access and heterogeneity there will need to be more institutional aid for its students; that need will more than offset gains which might be made through incremental adjustments of tuition charges.

Nevertheless the new institution will be offering a higher quality and greater range of programs and a more broadly recognized degree. It may eventually be able to ask a greater contribution from those students who can afford to help pay for the benefits they will receive. Some increases in graduate tuition may be indicated to reach a common and fair rate, but these would be relatively small. Part-time rates, on the other hand, might be set closer to UNH's discounted level than to a strict proportion of the full-time rate, in recognition of the fact that part-time students on an individual basis use fewer university services and in an effort to provide broader access for the region in line with the university's basic mission.

In looking at the institutions with which each of the present universities compete for full-time undergraduate students it becomes apparent that the UNH full-time student body chooses from among a set of less expensive schools than does the UB student body. Any attempt to find a common full-time undergraduate tutition which lowered charges to the UNH

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level therefore would not be particularly attractive to the current UNH applicants and would serve as a windfall to the UB group. Moreover, in order to cover the cost of such a shift, the new university would have to enroll students far beyond present capacity and at greatly increased cost; therefore this option is not feasible. A policy which sought to equalize tuition closer to the UB level, on the other hand, would establish a price more likely to be out of reach for UNH applicants. Since, according to our testimony received, the University of Bridgeport already appears to be a bit of a bargain to the students who apply to it given its competing set of applicant schools, the most equitable policy might be to allow the new institution's tuition to rise slightly above the current UB level AND to use the resulting funds to establish a strong program of institutional aid to assist the students from either institution who could not afford this change, and thereby help to replace government aid also lost to these students. Since the timing of such a change might coincide with increases in charges at most other private institutions (which will be necessary in 1983-84 to offset the negative changes in government funding) such a change would remain competitive for students from the upper end of the combined institution's family income distribution. The resulting funds could be used for institutional programs to expand co-op opportunities, to establish internal college work/study, and to augment institutional grants in aid which would signal the new university's commitment to its students for broad access and heterogeneity. Such a policy would allow the board to settle the question of equity in tuition changes through the accepted rationale

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of compensating, yet progressive, financial aid. It is, however, only one approach among many which would be fair and equitable.

We recommend that in the interest of maintaining healthy enrollments in the private as well as the public sector of American higher education, representation continue to be made to the federal and state governments for financial assistance to needy students in order to maintain their freedom of choice between attending private and public colleges, a policy which will save the taxpayer's money and benefit the country.

In considering that the new institution should not depend upon increased tuition revenues as a major source of new funds, it is important to differentiate between these as short-run sources and as long-run ones. The increased educational benefits of the new university's programs, its emphasis on service to older students, and its emphasis on broad access and flexibility will place the institution in a better position to attract students. Moreover, estimates of population shifts are based on statewide projections, and it is important to note that the region of primary service for the new university will be one where population will be gaining relative to other regions in the state. In time, the new institution may well be able to afford greater luxury in

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its programming as its depth and quality bring it stronger student markets.

Internal Reductions.

There is a broadly based anxiety at both universities that retrenchment is one of the primary purposes behind thoughts of merger. This has been reinforced by a concept that merger will be used to "prune" less useful parts of both universities and to carry forward the best of both. This theme, with its underlying distrust on all sides, suggests to the staff an approach which could ultimately undermine the abilities of the new institution to move into an admirable future.

It is essential that the constituencies of the universities understand that retrenchment will come in any case to institutions which have small margins for dealing with the adversities ahead. So also will come normal academic evolution. An educationally healthy institution trims those programs and services which are less central to its mission in order that it may turn resources to new areas of challenge and opportunity. The fact that a merged institution would be focusing its mission and sharpening its strength in the presence of necessity means that these normal processes may be accelerated through the first few years of the merger. A new board for the new university will decide what is most essential to the university and what programs are relatively peripheral. There is, however, a large possibility that interpretation of such a process through pre-existing cynicism could turn this into a source of rancor rather than a constructive effort. We therefore suggest that the new board create mechanisms whereby program reduction and

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service reductions keep pace with necessity but visibly follow the mission priorities which have been established by the board.

In line with this, it is hoped that the new institution will adopt standard procedures so that any appearance of arbitrariness can be discouraged. While the UNH situation has seldom called for retrenchment among faculty, its current procedures for reductions of administrative and staffing levels on short notice have often sacrificed the appearance of equity for the sake of managerial flexibility. It is our feeling that the new university should adopt procedures closer to those used by UB to regularize the hard decisions for the benefit of all concerned. Likewise, it seems advisable to have in place some form of program evaluation similar to that which has already been endorsed at the University of Bridgeport.

Two illustrations of how cutbacks might proceed for administrative and academic personnel will serve to demonstrate a process which the staff feels would be most helpful. In the area of student services, the combined student population will approximate the number previously served and staff will have to service different geographical sites. Because of the costs of increased coordination, the costliness of services required per FTE for nontraditional students, and the increased services suggested in this report, it is likely that many units in this area of administration will need the best talent they can attract and keep. To expect broad economies of scale here would be unrealistic in terms of the university's mission and goals of service. The same will be true for other areas where cost is mostly a function of the numbers and types of students served; in such sections of the administration, economies can only be

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expected where the increased scale of the operation makes it reasonable to use more efficient methods.

There can also be major dis-economies by attempting merger without an appropriate depth of administrative talent. One university found that its failure to properly staff a scaled-up budgetary system led to fifteen million dollars in deficits before the problem could be corrected. One source to forestall such problems might be a program of corporate support, similar to the "loaned executive" programs used by the Community Chest, to help staff the transitional period with paid volunteers who would be both enthusiastic and expert.

For reductions in the academic areas, policies could be derived from the basic mission of the university. For instance, if the university has committed itself to developing strong full-time faculty units, then it would be reasonable to effect economies by laying off adjunct faculties, even though they are cheaper per class section, than it would be to lay off promising junior faculty who bring vitality and commitment to their departments. The penalty for reduced use of adjuncts would be greater travel responsibilities for full-time faculty or increased productivity on their part. In disciplines where class size typically has been small, productivity increases might be accomplished in terms of requiring class size to be closer to the norm for the university. In disciplines where faculties are already teaching overloads to large classes, the use of adjuncts may remain necessary but might be shifted away from the instructional role. It is not our intention here to delineate the form of such policies but rather to suggest that they be developed with sensitivity to the needs of the disciplines and that they should proceed from the most basic service goals of the new university.

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Outside Sources of Support

Internal adjustment should help the university compensate for the adverse external factors impinging upon it during the next few years. Such cuts which would have to occur anyhow, regardless of merger, now might be used to trim the new university to a rationale which will make it a stronger unified whole. Funding for the costs of unification itself, however, likely will have to be found from outside sources.

We predict that the improvements which will emerge from the new university will be of a quality to draw outside funding for particular projects. Some of the changes anticipated in this report are the sort of thing which foundations find worthy of funding to help shape the history and direction of higher education. Likewise, the vision of a major new university evolving to meet the service demands around it could have great appeal to corporations. Their contributions might well build an endowment for the business and engineering colleges, thus lessening these schools' dependence upon tuition in ways which would make them more capable of mounting service programs for the corporate sector. Such an endowment might, for instance, allow faculty to engage more in research as well as in a broader range of consultation. Because industry is less likely to support long range and generalized benefits, however, we would expect that the greatest depth of support from this sector will come _after_ the new university has proven its ability to provide specific services on a _quid pro quo_ basis. It will be one of the major tasks of the new university to develop this potential for service through an active and systematic program based on market research. The leadership of the colleges themselves might be involved in developing such outreach programs.

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Such a partnership between the new institution and regional industry is urgently required to offset increasing public sector competition for private donors and the new tax laws which will operate against large charitable gifts. It will also provide the means by which faculty can exercise their scholarship in ways that will improve and complement their pedagogical roles. It may thereby also be the means by which programs of graduate study can, over time, take on greater importance.

We recommend that the university serve both as a center of learning and as a center for research both basic and applied in so far as resources of qualified persons and facilities permit or can be economically arranged with those who seek such service. That entrance into programs of additional earned doctorate degrees be held in abeyance until the manifest need for them should be presented by the administration and supported by the governing board; it is felt that this will occur only if the university's colleges have evolved a substantial base of research support.

One of the genuinely synergistic effects possible from merger is that the improved security and the quality of the merged institution could bring it substantially greater confidence on the part of its friends and creditors. Those who support an institution, either by giving of themselves within it or by contributing to its work from without, hope that the results of their dedication will produce benefits over a long future. The more secure that future appears to be, the more likely it is that people will sacrifice for it. By creating a setting with combined resources dedicated and focused upon a distinctive mission, the new university will be in a position to command the loyalty and enthusiasm of its alumni, friends, and internal constituencies. In addition, its

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creditors will find that their investments are worth more because they will be grounded on a more secure future.

We recommend that a major fund raising effort be instituted to realize the funds needed for transition and to achieve the academic enhancement envisioned.

These are hopes which we feel can be fulfilled from the distinctive combination of mission, time, and place which the new university will bring to the region. These things will not happen automatically, but through a great and genuinely creative effort on the part of those who work within the institution.

SPECIFIC CONCERNS

Moving out of the Past.

Experience in other mergers indicates that one of the hardest things to do is to bring forward the strength of pre-existing institutions and yet to form an identity with the new place as it evolves. Those who remain entrenched in loyalty to the formerly separate operation can help to create a dampening of human spirit. Worse, the resulting bickering can produce a crazy quilt from the old cloth rather than a new university of scope and clean design.

Even the most willing individuals can plan too early and in too much detail without first divorcing themselves from the individual histories of pre-existing institutions. Therefore, it is important that this shift take place first among the stewards of the new organization, i.e., in the workings of the holding board, and that the details of planning proceed after that board has pointed the direction for the new university. This is one reason why the staff recommends that the holding

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board contain a component of individuals with no prior commitments to the histories of either institution. It will be essential that the holding board be allowed adequate discretion in order that the new institution may develop its own history. To be sure, the holding board's efforts must be keyed to the accession to office of the new university's president, who will then become the bonafide head of planning for the future.

The importance of symbols must not be overlooked in the task of creating a new community with a new identity. Under the circumstances, geographical terms can themselves become emotionally loaded. Because of this, the staff anticipates the need for a skilled program of information to establish a single identity for the new university.

We recommend the new institution have a new name, such as the University of Southern New England, chosen to identify with the broadened region of service rather than identifying with either geographically narrow origin; that it would be even more desirable to identify the new university by its mission, through the name of an individual who symbolizes that mission in person and in substance. Further, we recommend that the holding company board engage in a substantial informational effort to convey the mission and promise of the new university to its internal and external constituencies, especially the alumni, and to the general public.

The Need for Commitment.

Even though the staff sees merger as providing a far better future than either institution could manage alone, we are impressed with how precarious this future will be if it cannot achieve early the commitment

- continue -

of its own people. Since this is a merger between institutions with relatively balanced strengths, neither institution need be thought of as imposing its formats and rationale upon the other. This means that there will need to be a genuinely creative and thoughtful effort on the part of individuals from all levels of the institution in order to bring about those advantages which we feel are possible and compelling. This will require commitment by the considerable talent available within both institutions: in their boards, in their faculties, in their student bodies, their staff, administration, alumni, and friends. We cannot overstate our concern in this regard; mergers which fail to meet their expectations generally do so because they have not martialed to the task sufficient human talent and commitment.

Much will be asked of everyone by the task itself. It is essential that the setting for such a demanding period be established from the onset as both equitable and trustworthy. This will be no small task in light of layoffs which will become necessary during the next two years.

We recommend that the new institution retain the largest number of faculty and administrative personnel possible subject to economic realities and proper labor practices and procedures as commensurate with the mission of the new university.

It is essential that the university compensate for losses in autonomy and familiarity by the engrossing nature of the task at hand until such time as it has re-established itself as a community and a home for its people. It will be important for the leadership of the institution to balance out the pluses and the minuses of this period within the university community as openly and evenly as possible. We suggest that careful consideration be given to momentum so that the timing of changes can help build enthusiasm for the task and that significant recognition be given to individual contributions throughout the process.

An example may help here. Athletic programs provide a powerful symbol in American higher education and can become a rallying point for the distress of several constituencies, or a symbol of new strength. College mergers have undergone real stress over this very issue. In considering the role which athletics plays in both university communities currently and in considering also the ultimate role which it might play in the new university, including its financial elements, the board might give consideration to the role of athletics as a unifying force during the period of transition. It is presumed by the staff that we are referring to a program of athletics emphasizing broad participation of many students ahead of a subsidized core of performers in two or three highly developed sports.

The Need for Internal Leadership.

The Commission's staff has been impressed in its contacts throughout the university communities with the ability of individuals at all levels to respond constructively and with imagination toward the possibilities spread before them. It was equally impressed upon them, however that these attitudes were somewhat randomly scattered throughout the organizations and that the predominant attitude was not uncommonly that of commitment to the status quo. In view of this we believe that there may be too few rather than too many leaders available for the new institution. The problem will not be one of rationing positions between individuals but rather of assigning those most capable of responding to the task to new roles in order to draw upon their talents. In addition, it will probably be necessary for the new institution to bring aboard some help from outside its ranks to assist in areas of emphasis which

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emerge as fundamental to the new university, and to help bolster the institution for its monumental task. We hope that the holding board will establish open channels of communcation throughout the existing universities to encourage participation at all levels from the very beginning. In addition the new president may wish to establish policies which encourage a "task group" approach in order to give planning roles to those most capable of contributing regardless of their positions within the organization.

There may be a tendency to interpret specific appointments as signals of dominance on the part of one of the prior institutions, a tendency to actually count up appointments in response to the assumption that merger means a more or less equally divided pie. We feel that this would be the least productive way in which to make appointments and anything suggesting this approach would only reinforce anxieties which are inherent in a merger situation. We suggest, therefore, that no guarantees be given in advance which will bind the new institution's president to any particular use of individuals in specific positions and that the holding board consider the need for a few key new appointments at the outset.

One of the firm assets which both institutions bring to merger is the strength they have in their respective boards. Those who have been through merger say frequently that it is not to be attempted unless an institution has a board strong in statesmanship, sophistication, and commitment. Merger here, under extraordinary circumstances, calls for an involvement which may well reach beyond the task of picking a top leader for the new university.

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We hope that these boards with their unusual breadth of ability, will commit themselves wholly to the needs of this venture.

Financial Planning.

The staff believes that there will be both problems and opportunities arising from the fact that the new institution will continue to be tuition-dependent. The danger of not finding organizational solutions to this problem is a concern which has surfaced on both campuses: a fear that they are uncontrollably evolving toward being technical institutes rather than universities. These problems face all schools which are not heavily endowed, even the public institutions. As stated by DeRoy C. Thomas, head of the Governor's Blue Ribbon Commission on Higher Education and the Economy: "While the funding of most academic programs (in the public institutions) would be geared to enrollments, support for liberal arts, research, and other programs that are integral to an institution's mission would (need to) be protected against fluctuations in student demand."* The danger is that short-term responses to market demand can distort program quality and integrity. We feel that in its earliest planning efforts the new university should recognize

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*Waterbury Sunday Republican, 2/28/82, p. 17.

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that the pressures of tuition dependence will be a fact of life and that it create internal structure and incentives to protect the essence of the university from this pressure while using its power to keep the institution modern.

Again, a specific example may help illustrate the intent of this suggestion. Many large universities adopt a financial accountability structure based on academic units, a practice passed on from English universities as "every tub on its own bottom." By requiring that each academic college within the university essentially support itself from its own endowment and tuitions and in addition contribute toward the central services of the university, such an arrangement makes the academic units responsive to markets for all forms of support and tends to keep each at a size consistent with its relative social importance. Such a budgeting method is appropriate for institutions such as Harvard and Vanderbilt where a history of external support has removed their colleges from direct tuition dependence. The method of accountability probably would not be appropriate to the new university as it is envisioned here. It might instead lead to distortion of programming toward topics attractive to youngsters but not of enduring value. It might also lead to poor counseling by faculty as colleges compete within the university for enrollments.

The new university might better create mechanisms which reward departmental and college contributions to the mission of the university and its financing on a university level. In this light a department which

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contributes unusual strength to faculty advising for purposes of retention would be making a contribution as worthy of support as those departments which are producing more credit hours. It is possible that the administrative and academic structure itself could be designed with this in mind. Those aspects of the university which concern themselves with short-term needs of various markets could be separated from the academic units, allowing the latter to concentrate on the long range quality and integrity of academic offerings. If these are separated, at the highest levels of the institution, however, their functions would have to be knit together through an incentive system whereby the income produced by response to market needs would provide encouragement to the academic units which support and extend these efforts in ways appropriate to each discipline and clearly within the mission of the university.

Accreditation Questions.

The staff is aware that the process of accreditation supplies an institution with objective outside assistance in monitoring its own excellence as well as the seal of approval necessary to be accepted in the academic world. Eligibility to receive federal grants is one basic requirement met by accreditation.

We recommend that it be a first principle of the new institution to seek to establish regional accreditation as currently held by the pre-existing universities and that it continue to seek appropriate specialized accreditations.

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Regional accreditation proceeds on the basis that an institution will be judged according to its own objectives. Accreditation of a specific program, on the other hand, frequently imposes objectives of professional groups upon the unit seeking accreditation. We see this as resulting in two separate kinds of problems which the new university must resolve.

There have been instances of college merger in the past where an early team of accreditators found itself at a loss to proceed since the newly combined institution had not yet worked out its objectives, let alone had sufficient time in which to begin to put those objectives into operational detail. While the process of merger which this report anticipates suggests an early drive toward setting out such objectives and a rapid and even radical deployment of the new university's resources toward these objectives, the process will still take time. In order for the accreditation process to contribute to the university under these conditions, we offer the following suggestions: that guidance and participation in the planning process be sought at the earliest point from individuals within the New England Association of

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Schools and Colleges (Division of Evaluation); that arrangements be sought with the state to minimize duplication of accreditation efforts; that the new university seek a reasonable period during which to bring its changes to an operational level before seeking evaluation in the form of a full accreditation visit.

For those disciplines which benefit from specific accreditations, there will be need for reassessment as they take their shape within the new insitution. This will be both a reasonable and beneficial means for supplying guidance and public recognition for strong ongoing programs. The one area in which the Commission foresees some difficulty is with regard to the business school. The University of Bridgeport has sought full accreditation, both graduate and undergraduate, from the AACSB. The University of New Haven has sought benefits of flexibility outside of the requirements of accreditation in this field. Considerable concern has been expressed over the possibility that a movement to a combined business college with full accreditation might shut off sources of funds which have been important in the past.

We are assured that no one institution can have business administration teaching units within it some of which are accredited and others not accredited. We also feel that conditions in the programs themselves have changed sufficiently to resolve this problem in the near future. Through broad programs of access the UNH business programs have attracted students who would be excluded by accreditation standards; however, the accompanying practice of retaining high standards of performance and offering quality programming has attracted a better quality pool of applicants in recent years. Combined faculty quality and broader

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geographical access could accelerate this trend so that a combined business school within the near future should have little to sacrifice in hewing to accreditation standards of admission. Similarly, the problems each school has had separately in finding sufficient full-time faculty to staff course offerings may be mitigated by combined recruiting strength. It is possible that interactive television services can be used to help meet the requirements for staffing extension sights with qualified full-time faculty, with the possibility that adjunct professors could be used more for the variety of expertise which they bring from their full-time occupations, and for auxiliary support of the instructional process. It is the faculty themselves under the leadership of their dean who will help resolve how accreditation standards might be met and whether they are appropriate to the mission of the new institution. The approach they use in doing so could be a model problem in planning; it is certainly one which will require early effort. Therefore, we suggest that the current two business colleges undertake a study during the planning period for resolution of this question with the understanding that the procedures they adopt could serve as a model for other units who will begin similar processes when it becomes appropriate for them to do so; that outside support be sought to underwrite this planning process as a model for how specific departments in colleges could undertake the task of building strength out of their past diversities.

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CONCLUSION

Our work with these universities over the past several months has offered intriguing insights into the internal strengths of American higher education. We hope that the assessments given above have the effect of helping them build these strengths in southern Connecticut toward a model of how a comprehensive, and accessible private regional university can have a future that is educationally distinguished and financially sound.

THE MERGER STUDY COMMISSION

STAFF REPORT:

Worst Case Analysis of Financial Resources for Merger * by University of Bridgeport and University of New Haven

Based on 1980-1 Financial Statements,
1981-2 Operations, and Estimated
Gains and Losses through 1985-6.

Project Coordinator: Gail S. Chambers

Date: April 12, 1982

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* The term "merger" as used in these notes, is intended to mean a combination rather than any specific form.

DOC. D-3.02

Key:

A = Average
X = Maximum
N = Minimum
V = Large Variance
M = Managerially determined
ST = Status quo ante

Schedule A
Joint Financial Resources for Merger UB/UNH
(in thousands of dollars different from June '81 Financials)

Status	Item	1982-3 Less	1982-3 More	1983-4 Less	1983-4 More	1984-5 Less	1984-5 More	1985-6 Less	1985-6 More
	Initial conditions								
ST	Accessible funds 7/81 UB	from	500A						
ST	Accessible funds 7/81 UNH	1980-1	300A						
ST	1981-2 Operations(UNH),UB	from 1981-2 (400UNH)	500UB						
ST	Financial Aid, UB	1417V		2605V		2605V		2605V	
ST	Financial Aid, UNH	992V		1592V		1592V		1592V	
ST	Buildings, UNH			174?		166?		158?	
	Merger Costs & Enhancements MX*								
	MIS	500X							
	Libraries on main campuses	21		153		30		30	
	Libraries at centers	14		12		12		12	
	Library services, state (10 sites)			30		40		20	
	Transportation	200A		200A		200N		200N	
	Phone	20A		20A		20A		20A	
	Moving & Renovation-Administrative	4MN		15MN		196MN		50MN	
	Moving & Renovation-Academic	0MV		17MV		117MV		0MV	
	Reaccreditation	5		10		5		0	
	Federal audits	0		0		0		0	
	Legal & negotiation fees	100X		0		0		0	
	Market research	20X		0		0		0	
	Name recognition	140X		0		0		0	
	Development costs	50MN		50MN		50MN			
	Organiz. restructuring	55M		25M					
	Curriculum design	50V		50V					
	Salary parity, Ad. & staff**	0		175VX		306VX		438VX	
	Salary to UB averages, fac.**	0V			60VX		60VX		60VX

* See Schedule B for separation into merger costs and costs of accompanying enhancements.

** Could be negotiated with and dampened by personnel reductions estimated under "Resources" on next page.

Schedule A, continued

Status	Item	1982-3 Less	1982-3 More	1983-4 Less	1983-4 More	1984-5 Less	1984-5 More	1985-6 Less	1985-6 More
	RESOURCES-GENERAL								
	Development		770NM		570NM		530NM		400NM
	Economies-Administrative								
ST (UB)	or broad boundary method		500MX		500MX		1000MX		1000MX
	fixed/variable method		326MV	or	326M	or	652M	or	652M or
ST	Financial Aid Gaps, UB:		558MX		558MX		558MX		558MX
ST	Financial Aid Gaps, UNH		378MX		378MX		378MX		378MX
	Economies-Academic Areas								
	1) Adjuncts only-UB(gross)		270X		270X		270X		270X
	UNH (gross)		257X		257X		257X		257X
	2) Adjuncts only-(departmental)		352X	or	352X	or	352X	or	352X or
	3) Acquisition maximum	or	540MV		1977MX		1977MX		1977MX
	Enrollment Revenue								
ST	Status quo UB				176V		462V		828V*
ST	Status quo UNH		1019V		1699V		2436V		3234V**
	Tuition raised extreme								
	Tuition		971V	1866X	2171MN		2171MN		2171MN
	Enrollment		as above		305net	2099X	72net	2214X net 43	
		or							
	Tuition lowered extreme								
	Tuition		971V	4938		4938		4938	
	Enrollment		as above		3575X		5958X		8618
	RESOURCES-EXTREME								
	Salary rollback of 5%								
	UNH only		500MN	(parity takes over)					
	Both: UB or			or	1000MN	or	1000MN	or	1000MN or
	UNH		500MN		500MN		500MN		500MN
	Debt service								
	Mutual		2375X		2544X		100X		100X
	Acquisition or		909X	or	1078X	or	1078X	or	100X or
	Blend		2375X		1078X		1078X		100X

* UB demographic trends would drive this to $-1.7M by 1995, then back to $-1.4 million by 2000.

** UNH demographic trends would keep this positive but down to $1.6M by 2000 if relative market share holds up.

DOC. D-3.04

SCHEDULE B
COSTS OF MERGER AND RELATED IMPROVEMENTS (IN THOUSANDS)

	1982-3	1983-4	1984-5	continued
I For Merger*				
MIS (dual autonomous)	60	60	30	30
Transportation	200	200	200	200
Phone	20	20	20	20
Moving (Admin.)	4	15	196	50
Reaccreditation	5	10		
Legal fees	100			
Name recognition	140			
Subtotal	529	305	446	300
Operating	250	250	250	300
Non-operating	279	55	196	0

$530,000 in 3 years plus about $300,000/year operating increase.

	1982-3	1983-4	1984-5	continued
II Additional For Academic Enhancement				
MIS (network in '83)**	440	-60	-60	-60
Libraries	21	153	30	30
	14	12	12	12
		30	40	20
Market research	20			
Development	50	50	50	
Organizational restructuring	55	25		
Curriculum design	50	50		
Moving (Academic)	0	17	117	0
Subtotal	650	277	189	2
Operating	12	-30	-2	2
Non-operating	638	307	187	0
III For Both	1179	582	635	302
Operating	262	220	252	302
Non-operating	917	362	383	0

$ 1,662,000 in 3 years plus about $250-300,000/yr. in operations.

* Salary parity costs are omitted because they are negotiated in conjunction with and more than offset by economies estimated for reducing personnel from the 1982-3 aggregated level.

** In addition to (or reduction from) the cost for merger only.

Schedule C

Worst Case, UB Initial Conditions & Status Quo Ante
(In thousands of dollars
differential to the '80-1 financials)

	1982-3	1983-4	1984-5	1985-6
[Accessible funds	[500]	[863]	[762]	[1447]
Operations (81-2)	500			
Fin. Aid	(1417)	(2605)	(2605)	(2605)
Unfunded aid	1200	1200	1200	1200
Estimated govtl. cuts	217	1405	1405	1405
Subtotal	(417)	(1742)	(1843)	(1158)
Resources-general				
Economies-Admin.	500M	500M	1000M	1000M
Economies-Academic	270XM	270XM	270XM	270XM
Aid Gaps(+$400)	558M	558M	558M	558M
Tuition revenues	(48V)	176V	462V	828V*
Cumulative Subtotal	863	(238)	447	1498
Resources-extreme				
Salary rollback 5%		1000N	1000N	1000N
Debt service				
Cumulative Subtotal		762	1447	2498
Additional development & other unpredictables: Generally quite positive.				
Results	solvent	solvent	solvent	solvent

Code:
X = Maximum
N = Minimum
V = Variable
M = Managerially determined
Insolvent = relying on debt service funds.

* UB demographic trends drive this to $-.7M by 1990, -1.7M by 1995, then ba /
to $-1.4M by 2000.

DOC. D-3.06

Schedule D

Worst Case, UNH Initial Conditions & Status Quo Ante

(In thousands of dollars differential to the '80-1 financials)

	1982-3	1983-4	1984-5	1985-6
Accessible funds	[300]	[62]	[130]	[2943]
Effect of Operation (81-2)	(1400)			
Financial Aid	(992)	(1592)	(1592)	(1592)
Increased Unfunded	850	850	850	850
Estimated Govtl. Cuts	142	742	742	742
Buildings		(174)	(166)	(158)
Subtotal	(2092)	(1704)	(628)	1193
Resources-General				
Economies-Admin.	0	0	0	0
Economies-Academic	257X	257X	257X	257X
Aid Gaps (+$400)	378X	378X	378X	378X
Subtotal	(1457)	(1069)	7	1828
Tuition Revenues	1019V	1699V	2436V	3234V*
Subtotal	(438)	630	2443	5062
Resources-Extreme				
Salary rollback Debt service	500N	500N	500N	500N
Subtotal	62	1130	2943	5562
Additional development & other unpredictables: Not particularly encouraging.				
Results	solvent	solvent	solvent	solvent

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* UNH demographic trends would keep this positive but down to $1.6M by 2000 if relative market share holds up.

Schedule E

WORST CASE, MERGED INSTITUTION

(In thousands of dollars differential to the '80-1 financials)

	1982-3	1983-4	1984-5	1985-6
[Accessible funds]	[800]	[438 or 451 con. acq.]	[1254 ACQ.]	[1866 ACQ.]
Initial conditions:				
Effect of 81-2	(900)			
Financial Aid	(2409)	(4197)	(4197)	(4197)
Increased unfunded	2050	2050	2050	2050
Est. Govtl. Cuts	359	2147	2147	2147
Buildings		(174)	(166)	(158)
Merger Costs*	(529)	(305)	(446)	(300)
Subtotal	(3038)	(4238) Con. (4225) Acq.	(4809) Con (3555) Acq.	(4655) Con. (2785) Acq.
Resources-General				
Development	770NM	550NM	530NM	400NM
Economies-Admin. (by fixed & var. method)	326MN	326MN	652MN	652MN
Salary parity-Admin.*	0	(175VX)	(306VX)	(438VX)
Aid Gaps (+$400)	936MX	936MX	936MX	936MX
Economies-Academic (Consol.)	527MX	527MX	527MX	527MX
or	or	or	or	or
Economies-Academic (Acquis.)	540MX	1977MX	1977MX	1977MX
Salary parity-Academic*	0	60VX	60VX	60VX
Subtotal-Consol.	(479)	(2014)	(2410)	(2518)
Subtotal-Acquis.	(466)	(551)	294	(798)
Tuition Revenue, policy extreme to raise prices ** (net)	917	305 net	72 net	(43) net
Subtotal-Consol.	438	(1709)	(2336)	(2561)
Subtotal-Acquis.	451	(246)	366	(755)
Resources-Extreme				
Salary rollback		1500N	1500N	1500N
Debt service (Consol.)			836	1061
(Acquis.)			0	0
Additional development & other unpredictables: Very positive, especially by 1984-5.				
Total Consol.	438	(209)	0	0
Total Acquis.	451	1254	1866	2255
Results (Consol.)	solvent	insolvent?	insolvent	insolvent
Results (Acquis.)	solvent	solvent	solvent	solvent

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* Salary parity costs would be negotiated with and dampened by personnel reductions estimated under "Resources-General".

** Lowering prices eventually would increase enrollments to cover the difference, but these would have to considerably exceed capacity of the plants to do so, making the lower-price option infeasible. The 917 is for both institutions status quo because tuition shifts wouldn't take effect until 1983-4).

MERGED INSTITUTION PRO FORMA
Changes in Current Fund (in thousands)*
From June '81; Schedule E.

DOC. D-3.08

	June '81	1982		1983		1984		1985		1986	
	Total	Change	Total	Change	Total	Change	Total	Change	Total	Change	Total
REVENUES:											
Educational and General:											
Tuition and Fees	36,958			917	37,875	305	37,263	72	37,030	(43)	36,915
Grants and Contracts	3,502							400	3,902	400	3,902
Private Gifts, Grants and Cont.	1,632[1]			770	2,402	550	2,182	130	1,762		
Other Sources	2,034										
Income from Endowment Securities	339[2]										
Total Educational and Gen.	44,466				46,153		45,321		45,068		44,823
Auxiliary Enterprises	5,360										
Total Revenues	49,826				51,513		50,681		50,428		50,183
EXPENDITURES AND MANDATORY TRANSFERS:											
Educational and General:											
Instructional Expenses	20,215	(for consol.)		(527)[4]	19,688	(527)[4]+(60)	19,628	(527)[4]+(60)	19,628	(527)[4]+(60)	19,628
Public Service & Organized Activities	763			(500)[4]		(1,500)[4]		(1,500)[4]		(1,500)[4]	
Academic Support (Libraries)	1,381			(326)		(326)[4]		(652)[4]		(652)[4]	
Student Services	4,884				17,103	175[4]	16,054	306	16,000	438	15,986
Institutional Support	5,746			529		305		446			
Operation and Maintenance of Plant	4,626										
Student Aid	5,250			2,409+(936)	6,730	4,197+(936)	8,511	4,197+(936)	8,511	4,197+(936)	8,511
Education and General	42,865				43,514		44,193		44,139		44,125
Mandatory Transfers for:											
Debt Service	1,176					174	1,350	166	1,392	158	1,334
Loan Fund Matching Grant	29										
Total Educational and General:	44,070				44,719		45,572		45,510		45,488
Auxiliary Enterprises:											
Expenditures	5,346										
Mandatory Transfers for Debt Service	813										
Total Auxiliary Enterprises:	6,159										
Total Expend. & Mand. Transfers:	50,228				50,878		51,731		51,669		51,647
Excess (deficiency) of rev. over exp.	(402)	(900)	(1302)		635		(1,050)		(1,241)		(1,464)
OTHER TRANSFERS & ADDITIONS (DEDUCT.)											
Excess of restricted receipts over trans. to revenue.	380		380		380		380		380		380
Transfer of income earned on debt.serv.	144		144		144		144		144		144
Allocation of board designated funds	134	922[3]	922[3]	144[5]	144[5]	1303[5]	1303[5]	777[5]	777[5]	60[5]	60[5]
NET INCREASE (DECREASE) IN FUND BALANCES:	256		144		1303		777		60		(880)

[1] Includes $25.6K UNH gifts credited directly to other funds.

*Rounding error throughout

[2] Includes $10,656 listed by UNH as a transfer to CF.

[3] from the 800 available June '81 and the 256 surplus that year, leaving 922 more available than in '81.

[4] Administrative savings, parity and salary rollbacks on all areas applied here to non-academic operations.

[5] Adjustment for prior year's results.

NOTES ON ANALYSIS OF FINANCIAL RESOURCES FOR MERGER OF UB/UNH BASED ON 1980-1 FINANCIAL STATEMENTS, 1981-2 OPERATIONS, AND ESTIMATED GAINS AND LOSSES THROUGH 1985-6

Since both institutions face questions of survival rather than of growth or investment, this analysis is in terms of their margin for survival as they exist now or as they might become through merger. Therefore it aggregates UB/UNH operations and financial results, considering differences in these due to merger. It will be used as background for constructing pro forma financial statements through the 1985-6 fiscal year.

A number of assumptions structure the analysis. Dollar estimates are in 1982 dollars, under the assumptions that inflation will effect both revenues and expenditures proportionately. The starting point for the analysis is the 1980-1 financial statements, since these are the ones which will be adjusted pro forma. The 1981-2 year adjustment is made in aggregate terms according to the deficit or surplus the institutions anticipate by June 30th, 1982. Since the data for the analysis has come from many inconsistent sources, a major problem has been to avoid double counting. Even with all these caveats, the figures developed are only rough estimates, based on a scenario laid out below in this introduction. As such the figures sometimes represent a maximum, sometimes a minimum, and sometimes an average. In some cases the estimates are very shakey or the numbers are considered highly variable. In other cases, the actual figure will be managerially determined in the main. As a cue to such vagaries in the figures, the following coding is used:

A = Average
X = Maximum
N = Minimum
V = Variance considerable or estimate is shakey
M = Managerially determined in the main

If skilled management and good luck cannot bring about a fiscally feasible merger, one should not be undertaken. Therefore, the analysis is in terms of an optimistic schedule for full merger as quickly as possible. It is built on the following assumptions:

Assumption 1: Type of Merger. The merger is that envisioned by the Merger Study Commission report of April, 1982.

Assumption 2: Pace of Change. Strong board leadership and internal leadership bring these changes as quickly as are operationally possible; there are no regulatory delays and no injunctions.

Assumption 3: Calendar. Detailed planning begins in late May so that implementation can begin as soon as legal merger is accomplished. Legal merger is possible by or soon after September of 1982 so that the '82-3 year represents the first period during which actual permanent changes can be made.

Assumption 4: Faculty layoffs are possible at UNH and can be done over the summer of '82 for adjuncts who would be cut in for the '82-3 year and for full time faculty to be cut for the '83-4 year. Layoffs at the University of Bridgeport in administration and staff are possible for the '83-4 year. Faculty layoffs at UB can proceed for adjuncts in the '82-3 year and faculty cuts through program evaluation in the summer of '82 can be done with proper notice effective '83-4.

INITIAL CONDITIONS

Please refer to the master chart: Joint Financial Resources of UB/UNH Merger (Appendix A). The initial conditions are set out first, as incremental from the June, 1981 positions. Items applicable to the institutions for separate futures are coded ST (status quo ante). All others are established upon merger assumptions. The institutions ended fiscal '81 with about $800,000 between them which could be used for any venture. They then had gains/losses in the '81-2 year which would represent the new state of affairs in 1982-3.

FINANCIAL AID, INSTITUTIONAL

Because of the danger that increased portions of self-help for needy students will decrease enrollment, this incremental analysis starts with aid costs for the same level of student self-help to be provided by the institutions in 1982-3 as was provided in '81-2 (The '81-2 expense incremental over '80-1 has been folded into the surpluses or deficits for '81-2). In order to approximate that level of need, UB would need $1.2 million; UNH would need $850,000. We anticipate that cuts in state and federal aid under the Reagan budget and under the policies considered by Connecticut would be in the range of

$217,000 in '82-3 for UB and $1,405,000 for UB in '83-4; for UNH the '82-3 amount would be $142,000 and the '83-4 cost $742,000. Totals for maintaining both institutions at the 1980-1 level of student self-help are $2,409,000 in '82-3, and $4,197,000 in '83-4.

UNH BUILDINGS

UNH currently has an agreement with AT&T to purchase, at a point in time selected by AT&T, a building adjacent to the UNH campus. Terms of the agreement are $422,000 at 9½% for five years. (It would take between $1 and $2 million additional to convert it for use.) Payments for the building are estimated at $124,000 the first year, $116,000 the second year, then $108,000, $100,000 and $92,000. Timing of the payments is uncertain, but they are considered here as beginning in the 1983-4 year.

The cost of the new classroom building at UNH should not be double-counted. Deficits for 1981-2 include the $600,000 in interest payments made that year. Estimates of tuition and aid gaps for 1982-3 were originally made sufficiently high to cover new operating and maintenance costs of $300,000 for that building. Therefore the only costs not already included in the numbers from which we are working incrementally are $50,000 a year in principal payments which begin in 1983-4. These are entered into our calculations as a separate item.

MERGER COSTS

Each of the following items has been estimated for cost or recovery of funds as it may be different because of merger.

MANAGEMENT INFORMATION SYSTEMS

LIBRARIES

TRANSPORTATION

TELEPHONE

MOVING AND RENOVATION, ADMINISTRATIVE

Assuming that 3/4ths of the administrative operations eventually move to the Bridgeport campus; assuming that some doubling of office space is possible on the Bridgeport campus; and assuming that some space will be freed by layoffs in the administrative areas which will represent open space (regardless of the original employer institution) it should be possible to make administrative shifts through 1984-5 at relatively little cost.

The process of moving people from one place to another is not one of merely filling up existing office spaces, but can involve the movement of people already on the campus as office areas are consolidated. In figuring $120 per office for furniture moving, we doubled the figure in anticipation of the fact that other people may also have to be moved in the process. Administrative moving costs would be as follows:

Year	People	Space	Cost (in thousands)
1982-3	14	Existing	3.4
1983-4	26	Existing	6.2
1983-4	37	Doubling & Layoff	8.9
1984-5	30	Houses	188.6
1984-5	32	Doubling & Layoff	7.7
1985-6		Houses	50

Total costs in 1982-3 would be approximately $4,000, in 1983-4 approximately $15,000, in 1984-5 $196,000 and for each year continuing thereafter $50,000 in opportunity costs on the converted houses.

MOVING AND RENOVATION, ACADEMIC

The figures here are most tentative since the merger proposal does not recommend specific sites for academic units, only that all departments of an academic unit be housed at the same campus.

In general these figures assume that shifts of faculty will be on the scale of the number of full time faculty at the UNH in 1980-1. It is not that the UNH faculty would move but that the shifts in one direction or the other over a three year period would at most include movements of this number of people. The figures also include moving costs only, with few facilities changes (here called "laboratories", but could quite easily be facilities of other types), since the recommendations of the Commission suggest that plant constraints and student travel time together be used in determining college location.

The schedule anticipates that there will be no faculty moves during the academic planning phase in 1982-3, that the easier moves would take place in the '83-4 year, and that moves which would include facilities changes would take place in 1984-5. The cost of changing laboratories or moving heavy equipment are arbitrarily put at $100,000.

Since there were approximately 140 full time faculty at UNH at the end of 1981, moving estimates for academic areas are as follows:

1982-3	0
1983-4	70 faculty x 2 shifts x $120 = $17,000
1984-5	70 faculty = $17,000
1984-5	laboratires and equipment = $100,000

REACCREDITATION COSTS

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LEGAL AND NEGOTIATION FEES

Legal fees should range between $50,000 and $100,000 and the renegotiation of long term debt under these circumstances could require $20,000 for expert consulting fees and expenses. The amounts entered do not anticipate litigation costs.

MARKET RESEARCH

NAME RECOGNITION

DEVELOPMENT COSTS

SALARY PARITY, ADMINISTRATIVE AND STAFF

Our estimates here follow the principal that it is not possible to cut salaries which are the higher of two levels, but it might be possible to freeze them and take a year's time in which to bring the lower salaries up to parity through inflation. Because rates have to go to the higher of the two levels, any "economies of scale" will have to be accomplished by position cuts from the higher rates. Furthermore, assuming that you must very soon pay people on the same scale if they are to work in the same place, as you move people you must "move" their pay scales also. The first set of people to move will be the top 10% UNH administrators; they have negotiated salaries and therefore do not provide a pressure for parity. We have estimated what it would be "fair" to do. In fact, the various contract negotiations which will occur during this period will set the calendar and the amounts for various parity questions.

We assume that you can negotiate a calendar which will allow you to do no parity adjustments in '82 3, but to go to complete parity in '83-4, at which time some layoffs will be in effect to help supply the funds needed. Alternatively, if the Board of Administrative Welfare of UNH has arrived at a two-year contract in August of 1982, it will have frozen its salary at the lower of two levels for two years, an effect that might carry into August of '85 before parity for this group becomes necessary. A compromise with this group might be to go to 1/2 of parity for them in 1983-4 in exchange for waiting until their contract has given out before reaching full parity. The figures that we have entered as totals are the minimum for 1983-4 suggested by such a strategy. Summary numbers for the years are:

1982-3	$ 0
1983-4	$ 88,000.00
1984-5	$175,000.00
1985-6 & thereafter	$438,000.00

ORGANIZATIONAL RESTRUCTURING

Note that these figures are not adjusted for possible economies and layoffs in the administrative areas; this is done in order to avoid double counting when that issue is undertaken. Parity figures are given in the following table. The table is prepared in terms of salary parity only, with the assumption that benefits will expand at the usual rate of 17% of salary.

	Low $	School	High $	No.	Difference	Salary Parity	Salary & Benefits
Sr. Admin.							
Jr. Admin.	18,681	UNH	22,022	66	3,404	222,664	263,000
Clerical	9,686	UB	10,296	175	610	106,750	125,000
House-keepers	10,000	UB	10,550	54	550	29,700	35,000
Trades	15,760	UNH	16,280	10	520	5,200	6,000
Security	10,000	UNH	14,000	2	4,000	8,000	9,000
							438,000

SALARY PARITY, FACULTY

The rule pursued here has assumed 1) that existence of only a UB contract - Yeshiva issues aside - requires that faculty salaries be brought in line with those existing at UB, and 2) that this can be accomplished by a freezing of any higher salaries at UNH or by raising the UNH salary if that is lower. Even though some labor arrangements could call for "slotting in" to occur during '82-3, salary changes would have to be effective in '83-4 at the earliest. The tables below show how the salaries might on average be brought together at colleges where the institutions currently have the same disciplines.

Arts & Sciences (CAH at UB)

	UB	UNH	No.	Difference	1983-4 Savings
Professor	28,498	29,693	(19)	1,195	22,705
Assoc.	22,654	24,273	(20)	1,619	32,380
Asst.	19,267	21,176	(20)	1,909	38,180
Instruc.	16,191				
Lect.		17,499	(1)	1,308	1,308
					94,573

Engineering

	UB	UNH	No.	Difference	Savings/Costs
Professor	32,525	29,507	(10)	3,018	30,180 cost
Assoc.	24,968	26,895	(13)	1,927	25,051 savings
Asst.	22,727	23,454	(4)	727	2,908 savings
Instruc.	19,484	20,651	(1)	1,167	1,167 savings
					1,054 cost

Business

	UB	UNH	No.	Difference	Savings/Cost
Professor	31,957	28,770	(13)	3,187	41,431 cost
Assoc.	26,297	26,061	(25)	236	5,900 cost
Asst.	21,115	21,852	(21)	737	15,477 savings
					31,854 cost

Grand total: 61,665 savings beginning in 1983-4

SOURCES OF COST COVERAGE

Sources of funds to cover costs are divided into two categories and listed in order of desirability or workability. General sources include development, aid gaps, administrative economies, academic economies, and price/enrollment exchanges. Extreme sources include salary rollbacks and moratoria on debt service.

DEVELOPMENT

Merger of the two universities may boost development efforts which are otherwise planned by the two institutions, or may be used as the basis for a major development effort. We have chosen to include conservative figures here for the difference which merger could bring, without major effort, to plans already afoot.

ECONOMIES, ADMINISTRATIVE

The scale of possible economies in administrative units of the merged university can be addressed in three basic ways: By broad boundary estimates, or as a problem in fixed, semivariable, and variable costs; or as a problem in analysis according to measures of performance ratios. Since it was not possible to develop appropriate measures of performance for each operation in our brief period of analysis (i.e., dollars per square foot for maintenance or dollars per student for student affairs), and because it was not possible to find empirically researched national standards for average or for appropriately-sized operations elsewhere, we have had to rely instead on heuristics for which estimates could be developed quickly. These were based either on fixed/variable cost principals or upon the concept of moving toward the median between two different gross ratios.

A method using broad boundaries.

First assumption in this heuristic is that administrative services at the New Haven campus in general cannot be reduced more drastically than they are at the present time. The second assumption is that the merged university will not operate with the same administrative breadth as UB's current funding level per full-time-equivalent student indicates. Purely administrative (not plant or library) costs at the UNH are currently $843 per FTE; at UB the ratio is $1493 per FTE. If services were upgraded across the entire operation to the UB level, the merged university would need $2.8 million more per year. If services were to be reduced to the level indicated by the

New Haven ratio, the merged university would save about \$3.3 million per year. Neither figure is realistic, but they set the high and low limits on "economies" in the administrative areas. A heuristic for describing what an actual economy might be would assume that the New Haven campus would not contribute further to a "thinning out" of the aggregate ratio but that the UB ratio could be thinned somewhat after a transition period. Note that economies from reductions in service level are different from economies (or diseconomies) due to size and distance. In our global assessment, we do not think that there will be economies of scale because larger operations can mean more procedure and therefore greater cost in some regards, though they do indicate more efficient methods in others; there is also the problem of the two-campus spread for services. We feel that economies and diseconomies would roughly cancel each other. A resulting guess is that the most economical arrangement which will evolve would be one in which the service levels would remain no greater in the New Haven site and there would be some reductions at Bridgeport as that operation moves toward thinner levels of service. A rough guess might be that \$½ million would be saved in the second year of the merger and \$1 million in the years following. In following this estimation, we assume that bureaucracies are notoriously hard to dismantle and that the changes afoot, both externally and internally, will argue against administrative economies.

Departmental method, based on fixed and variable costs.

By using information available at the departmental level, we have developed the following heuristic to estimate the maximum economies which could be achieved. The method assumes that labor costs are the most significant expenses for all of these administrative operations and can serve as a useful surrogate for all costs.

1. For areas of service which will need to grow in order to meet the mission of a merged university, assume no economies. These areas include admissions, libraries, development, continuing education, placement, counseling, etc.

2. For administrative areas where a level of service needed is variable with square footage, numbers of students, numbers of personnel, etc. variable costs will be the same for the combined institutions though

the fixed cost totals may be reduced. Considering non-exempt salaries to be a surrogate for the variable costs, and exempt salary to be a surrogate for fixed costs and all other costs to remain roughly the same, maximum economies possible should be found within the area of exempt salary costs. Rule: Take the lower of the exempt salary costs of the two parallel services as the ultimate savings. Examples of departments which would receive this approach include registrars, maintenance, food service, student life.

3. For administrative areas where the level of service is more or less constant regardless of the size of the institution, eventual cost might approximate the larger of the two budgets plus ½ the non-exempt salary of the smaller budget. This would make eventual economies equal to the budget of the fiscally smaller operation minus ½ of its non-exempt salaries. An example of such a service area might include management information system, public relations, etc.

4. N.B. No department will exactly fit the assumptions used here about fixed and variable costs. In working with each administrative area, use exceptions to shade the numbers in one direction or the other.

5. In general the economies in any particular administrative department would be distributed across time as: none in year 1, ½ the total in year 2 and the total by year 3. These results would be a managerial decision. Note if any of the administrative departments considered would require a pattern different from this.

FINANCIAL AID GAPS

Rolling back the financial aid gaps to the 1980-1 level, as we have done in our initial condition figures, is not totally realistic in that the institutions are already planning gaps for the 1982-3 year which will be finalized at some level before merger: this is the sort of action which is never totally undone by a university once taken, but might be softened in its effect over future years. Since we do not know what the actual aid gap will be for the '82-3 year but have followed the thinking of the institutions carefully on how much they feel they can increase gaps before they drive out enrollment, we choose a figure of $400 increase of gap from the '80-1 numbers as the highest workable level before any enrollment losses take place. This is in keeping with our choice of $400 as the effective point in price competition between institutions where a student begins to think seriously about going to another school. Actual "price elasticities" are impossible to measure. By increasing the aid gap to each of its aided students by $400, the UNH might develop about $378,000. Using the newest estimates of aided students at UB for the 1982-3 year, UB might develop $448,000.

ECONOMIES - ACADEMIC

Economies in the academic areas will be very much dependent upon the dictates of the current UB contract and the type of merger undertaken. Subsequently, we have estimated a savings which could be undertaken for either arrangement within the boundaries of the current UB contract.

Faculty layoffs, adjuncts only.

Adjuncts earn an average $3,500 apiece. Failure to rehire one would require substitution by a full-time faculty member or a reduction in the number of offerings, especially at off-campus sites. Therefore, care must be taken that cuts of adjuncts be cost-effective. The numbers suggested here would be for a maximum number of adjunct layoffs short of true program distortion. Note also that the UB contract suggests that assignment to off-campus sites might be difficult. This makes the layoff of adjuncts a more difficult problem and makes these figures highly optimistic.

Layoff of UB Adjuncts

Per Cent	College	Adjunct	Layoffs	Savings
50	Arts & Humanities	93	46.5	162,750
25	Health Sciences	88	22	77,000
10	Engineering	41	4.1	14,350
20	Business	23	4.6	16,100
			74.9	270,000

Layoff of UNH Adjuncts

Per Cent	College	Adjunct	Layoffs	Savings
50	Arts & Science	99	45.5	159,250
10	Engineering	58	5.8	20,300
20	Business	105	21	73,500
0	Professional & Continuing Ed.	15	-	-
			72.3	253,050
			Total:	527,050

Under the second method, only adjuncts would be laid off, as before, yet care was taken to look at individual academic departments to see if the assumptions of the first method were reasonable. This was a highly subjective approach, since only deans and department chairmen really know which adjuncts can be dropped and how faculty can cover the necessary courses without them. Note that in either case we are much constrained by the inability of UB deans to assign their faculty at will to off-campus instructional duties.

Faculty layoff under acquisition.

In an acquisition merger the administration would have a great deal of legal freedom to hire and assign faculty currently at UNH. It is assumed, however, that in order to keep the UNH student body, you would have to keep almost all of the faculty in the areas where these students major in large numbers. In addition, you would have to continue to service the off-campus sites in the face of UB contract limitations. Some off-campus site duplication will allow you to cut back on these responsibilities, however.

Very little change could be made in the '82 3 year, at least in the first semester. However, in order to make up its $1 million deficit and avoid a similar deficit in the next year UNH will be proceeding with arrangements to thin its faculty considerably within its legal abilities to do so; course scheduling for fall of '82 will probably reflect some such thinning of the ranks. It is more likely, however, that the real savings would not start until the '83-4 year. Note that UB would also be seeking economies in faculty salary for '83-4 via layoff of whole departments through program evaluation and also by layoff of adjuncts as possible. The most which UB might be able to achieve by '83-4 would be $½ million. The most which UNH independently could achieve without merger, would be $1 million - if it can resolve its legal questions. Under an acquisition merger, however, the $½ million for UB might be counted as still possible while the UNH savings might include half the adjuncts of business and engineering and all arts and science faculty which would be redundant with UB departments regardless of the college where they were currently housed at UNH. See table below for savings of $1,977,496 starting in 1983-4. Note that under this method adjuncts would be laid off at both campuses for a savings of $537,000 in 1982-3, but that UB would need to rehire a similar number of adjuncts for '83-4 and beyond. The entire method presents a maximum in savings because some number of these faculty may still be needed to service the students present at the UNH campus, especially under the contractual constraints on assignment of UB faculty.

Note that all of these methods provide very crude estimates. Moreover, they estimate savings which may be undesirable in light of the new institution's goal to improve its academic quality. This would give cuts in the academic areas ~~in~~ a low order of priority for effecting necessary savings.

Acquisition Economies, Academic

½	UNH	BSNS adjuncts' salary	(494,168 ÷ 2) 247,084
½	UNH	Enggr. adjuncts salaries	(126,548 ÷ 2) 63,274
All	UNH	Redundant A&S faculty Economics , Communication	1,667,138
	UNH	Savings (X)	1,977,496(X)

TUITION ENROLLMENT PROJECTION

This is the area of analysis which contains the most conjecture; therefore it involves the greatest risk. Because of this we have chosen a method of enrollment projection which is on the whole conservative. In fact, it assumes no change in market share due to perceived quality improvements brought about by merger. The analysis which leads us to these numbers (see separate report) also led us to the separate and significant position that financial aid gaps would have to be kept to a minimum in order to prevent substantial enrollment losses. Enrollment revenues developed here are based changes suggested by three exogenous variables taken ceteris parabus: changes in demographics in Connecticut, changes in labor market demand in Connecticut and competitive price position of the institutions now. The analysis begins with the 1980-1 base year population distributed by student category (full-time/part time, undergraduate/graduate), by age and by degree sought. To these are added a set of assumptions about the effects which the variables will have on enrollment at the two subject institutions. The data chosen was the best available but involves considerable judgment in arranging it for computation. The assumption variables were kept flexible when possible for purposes of sensitivity analysis. Enrollment changes which would result from establishing some common tuition level for the merged institution were also estimated by altering the price competition variables as indicated by the policy under consideration. Using this computerized guesswork we arrive at changes in the full-time-equivalent student body and then use the 1980 distribution among categories of students to tell us how much revenue would come from such an FTE. The first scenario assumed that UB and UNH remained separate, maintained their same relative market shares in the state of Connecticut, maintained the same relative prices, and maintain their same programs. The resulting revenues are shown in the table below. The second scenario assumed that the two institutions merged in late 1982 and arrive at a common tuition level for 1983-4, this tuition level being raised to slightly above the UB tuition level for full-time undergraduates, set at the lower rate of the two for part-time undergraduates, set at the higher rate of the two for full-time graduates and at the higher rate of the two for part-time graduate students (see Appendix C.) Results are listed in the table. There is an accompanying enrollment reaction to the change in price. Because our calculator limited us to using the same price elasticity estimates and methods as we did in the study of price competition, we found that with increasing tuition gross, rather than net of compensating aid, we would get an exaggeratedly pessimistic estimate of the enrollment effect, this being listed in the table to offset the gains from the policy. Under a scenario that lowered tuition to the UNH level, we developed an exaggeratedly optimistic compensating enrollment gain by figuring elasticity on the gross bonus to the UB students rather than the net bonus.

These are two extremes of policy. We find that the policy lowering tuition only succeeds financially when it draws enrollments beyond physical capacity and at increased costs; it is infeasible. Compromises might be worked out between these boundaries, however. For instance, under a policy which considers UNH a branch campus, all students taking courses at that site might be offered the part-time rate in compensation for lower levels of service. The merged institution would thus forego the increased tuition from that campus ($1,660,000), but continue to realize the enrollment revenue gains anticipated there. (Such a policy may not be allowed by Connecticut regulation.) Another compromise might be to raise the UNH tuition level gradually over three years for an impact of $600 per year, with accompanying aid, in order to avoid full enrollment impact of $1800 in one year. This would be justified on the basis that programmatic changes would also be more slowly felt and that programmatic improvements were the value reasons which justify the higher tuition rate.

SALARY ROLLBACK

Another source of funds, albeit one which is generally held in reserve for extreme circumstances, is the possibility of asking for across-the-board pay cuts for everyone in an institution. Normally these are agreed to only in the face of massive layoffs or closure. In the presence of other pressures, one might get 5% before losing people. This is a 5% decrease from wages which would normally be floating with inflation according to our calculus, so if inflation is 5% it would be achieved by a salary freeze for one year. Since rollback of this nature from contracted positions can only be justified by extreme conditions from outside, such as the cuts in federal aid we enter the figure of $1,000,000 as a maximum beginning in '83-4 for UB and $500,000 beginning in '82-3 for UNH (where the current situation is more severe). Note that the current situation at UNH may suggest use of this mechanism in 1982-3 (even if it is not used at Bridgeport), for one year before the institution as a whole is brought into salary parity under merger.

Approach	1982-3	1983-4	1984-5	1985-6
UNH only	500,000	(Parity takes over)		
Or				
Both: UNH	500,000	500,000	500,000	500,000
UB		1,000,000	1,000,000	1,000,000

DEBT SERVICE SOURCES

Portfolio theory and empirical study show that when a higher education institution becomes more financially secure, its creditors make a direct and present monetary gain. Merger changes the security of current investments, a fact recognized in debt instruments by frequent requirements of creditor approval before changes such as merger are undertaken. Failure to recognize that an increase in security for one set of creditors has monetary worth can lead to the inadvertent gift of that worth from the institution to the creditor. Failure to recognize that a decrease in security is also possible can lead to problems in negotiating the necessary approvals. In this instance, UNH's creditors apparently carry the more risky investments; however, the UB creditors are not that much better off. It is our estimate that a fundamentally sound merger could bring changes which would make the succeeding institution more financially promising than either of its predecessors, but that merger will not bring to either institution's creditors access to new unencumbered assets (both institutions have already borrowed against all property and even against tuition). Creditors probably will require protection by restricting each one's liens to recovery from the property which existed at the time the lien was undertaken. Negotiations will not be based on empirically measurable values, but will take place in the presence of a strong public interest. Moreover, because both institutions are now financially marginal, there is behind the negotiations the sence that a reorganization plan of this sort could serve for Chapter 11 purposes if the institutions found themselves in extremis. Expert assistance for these negotiations has been budgeted at $20,000 in the first year.

The table below gives the debt service schedules for both universities. Using this table we establish a maximum which could be asked of creditors as a contribution during the merger years, i.e., moratorium on principal and interest. The difficulties posed by the large number of parties and the chance that some will "free ride" make this an outside figure.

Three different arrangements are developed. Under a merger proposal which demonstrates that the institutions will *mutually* strengthen one another after a two-year period of reorganization, the institutions might achieve full moratoria for 1982-3 and 1983-4, at which time some restructuring of the debt for the combined institution might achieve a small yearly savings of $100,000. The second proposition suggests that UB would be *acquiring* UNH in financial exigency; this would suggest full payment of the UB schedule and protection of its creditors, plus a moratorium on payment at UNH for three or four years while UB undertook the necessary adjustments to make that campus a reasonable investment; followed by $100,000 a year savings from a restructuring of debt. A third approach would be a *blend* of these two models: UB's creditors would be protected but would be asked for a year's moratorium while that university used the merger opportunity to reposition and reorganize for a more secure future. UNH creditors would contribute according to the acquisition pattern.

DOC. D-3.24

Debt Service Schedules

UB

Approval	Amount	82-3	83-4	84-5	85-6
HEW	1 1/4M	79,315	79,315	79,315	79,315
CHEFA	6 3/4M	527,301	527,301	527,301	527,301
HUD	10M	499,528	499,528	499,528	499,528
People's	3M	359,210	359,210	359,210	359,210
UB TOTAL		1,465,354	1,465,354	1,465,354	1,465,354

UNH

Yale & Conn.Gen.		61,668	61,668	61,668	36,900
U.S.Com.Ed.	1M	32,000	32,000	32,000	32,000
CHEFA A	2.2M	210,585	210,585	210,585	210,585
CHEFA B	5.2M	605,000	605,000	605,000	605,000
AT&T Long Lines	.4M	(?)	124,000(?)	116,000(?)	108,000(?)
Unsecured line of credit	0-3M				
UNH TOTAL		909,253	1,078,253	1,078,245	1,053,469

Restructuring of Debt.

Merger Options

		82-3	83-4	84-5	85-6
Mutual	UB	1,465,354	1,465,354		
	UNH	909,253	1,078,253		
	Restr.			100,000	100,000
		2,374,607	2,543,607	100,000	100,000
Acquisition	UNH	909,253	1,078,253	1,078,245	100,000
Blend	UB	1,465,354			
	UNH	909,253	1,078,253	1,078,245	100,000
		2,374,607	1,078,253	1,078,245	100,000

THE UNPREDICTABLES

Finally, there are a number of financial forces we treat as "unpredictable". On the positive side, there are major gifts or development campaigns pending, a possibility of contracting engineering "seats" to Connecticut, a fair chance that federal and state aid cuts will be tempered, and the real possibility that a merged institution will be perceived as radically better than either predecessor could have been with accompanying changes in funding and market power. On the negative side are chances that graduate loan programs will be lost, that the institution(s) will become mired in litigation and/or regulatory delays, possibilities that the state system will establish business programs or research facilities in the region, the chance that UNH's quality and resilience has been so thinned that its 1980-1 market share cannot be recovered even through merger, and the chance that a sudden and large increase in tuition there will have greater effects on full-time enrollments than anticipated despite improved quality and breadth. In the main, we feel that the opportunities outweigh these risks, but only if the vision of a better, fuller university prevails.

MERGER STUDY COMMISSION

UNIVERSITY OF BRIDGEPORT AND UNIVERSITY OF NEW HAVEN

380 University Avenue
Bridgeport, Connecticut 06601

Research Project: Ratio/Flow Model for Enrollment Projections for the Combined Institutions

Project Coordinator:	Gail S. Chambers
Project Staff:	Professor Phylipp Dilloway Margaret Casciato Jeffrey Comen Dirk E. Wilmoth

DOC. D-4.02

ENROLLMENT PROJECTION FOR THE COMBINED INSTITUTIONS

I. PROJECT SUMMARY

This report presents a ratio/flow model designed to project enrollment declines and increases over the next 4 years (1982-3 through 1985-6) at the University of Bridgeport and the University of New Haven. It was necessary to obtain such projections because the financial viability of these 2 institutions, or of one merged institution, depends tc a great degree on the revenue generated by tuition payments.

College enrollments are and can be predicted in the aggregate, most notably by our state planning bodies. Enrollments are also routinely predicted for individual institutions by skilled institutional planners and admissions people, partly from hard data and partly from hunch. This project has been an attempt to systematize prediction at the institutional level by studying factors commonly considered in standard financial aid and admissions practices but set within a theoretical structure and using quantitative techniques drawn from the economics of education.

This econometric approach at the institutional level apparently is different from others which have been used or are under study now. For instance, state-level studies such as that done by the Board of Higher Education in Connecticut concentrate first on population cohort survival rates using highly aggregated figures, and then on competitive position of institutions. Likewise those tuition "price elasticity" studies which have been done in the past have been based on large populations of institutions which often included both public and private schools.

Where studies have tried instead to focus on individual institutions, the usual technique has been least squares analysis of past enrollments under the assumption that future circumstances will closely resemble the past periods from which data has been drawn. Other institutional studies seem to concentrate on only one or two factors.

We needed to know if the revenue-generating capacity of these two tuition-dependent schools would support a combined and improved operation over the period 1982- to 1985-6. For this we needed an estimation based on numerous factors of what enrollment would be at these particular institutions over a future period which is likely to be quite dissimilar from the recent past. Our decision was to build a ratio/flow model for simulation which could take into account several separate exogenous factors influencing enrollment, a model which would allow us to assign more or less subjective values to these factors based on data particular to these two institutions and their regional settings and test the sensitivity of their enrollments to these factors.

We worked from the best data available to us: our base year is 1980-1 in most instances but varies (with accompanying adjustments) wherever we could obtain more current or more accurate numbers. We identified those factors which we felt could be quantified with any reasonable certainty given available data, stating the assumptions under which this has been done. For each, we assigned more or less subjective flow/ratio values and clarified our level of uncertainty about these values. Using theoretical relationship of these factors we have arrivedat a probable range of values for enrollment at these

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two institutions. In addition we surveyed a key managerial variable institutional financial aid, to estimate the enrollment costs of various policies.

This is a preliminary model, described in its broadest sense so that its parts might later be refined. Much is omitted which will be important to the two institutions' future. We hope that factors such as graduate enrollment financing barriers, which are not being studied here might be added to the model at a later date in proper relationship. The factors which are studied: demographics, labor market "pull", unemployment effects, price competition and financial aid, might also be improved in their accuracy and through exploration of their rather broad assumptions. Most importantly, this is not a verified model, but a pragmatic approach to creating a model which is needed now to help answer a living question. It is important to keep in mind that as such it is organized guesswork. It is both ambitious, as the managerial question requires it to be, and limited, as the resources devoted to this effort allow.

The essence of our argument is: If this picture is an accurate one (given all the assumptions) and if other factors do not influence enrollment (they shall), and if the institutions do nothing to alter this picture, then we estimate that in the programs they offer now enrollments will total as follows:

- continue -

TABLE 1

FTE ENROLLMENT ESTIMATES WITHOUT AID INPACT*

YEAR	HIGH	LOW**
1980-81	9214	9214
1981-82	9287	8898
1982-83	9522	8744
1983-84	9781	8614
1984-85	10071	8512
1985-86	10397	8439
1985-90	9923	8022
1990-95	9452	7641
1995-2000	9418	7645

It is hoped that the analysis will help point out where and how managerial alterations of this picture can be helpful. By programming the work into FORTRAN, the assigned values could be altered to suit the wisdom of others or added subroutines could augment and refine the more significant factors.

*Assumes that institutional aid is available to meet financial need roughly as it was being met in 1981-82.

**Worst case. Includes a policy for arriving at one tuition schedule by raising full time tuition to the UB level driving out lower income families.

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II. THEORETICAL FRAMEWORK

As in all economic theoretizing, the assumption is made that people do not behave in certain ways because of economic factors, but will do so substantially as if the economic relationships guided them. With this stated, utility theory economics can be used to view the choice to attend college as one in which a student chooses the future which he feels will be most useful, given its costs, subject to factors which might exclude the student from his choice. Usefulness of attending a particular institution might be considered the combined monetary and non-monetary benefits which attendance will bring to the student. These can be described as the non-monetary pleasures plus the monetary payoff from attending, less the direct cost to the student and his family, and less the opportunity cost of choosing to attend some educational program rather than seeking employment or other activities. A comparison of two institutions is a comparison of the worth of attending the one compared with the worth of attending the other, with a student deciding to attend the one with the greatest worth given that it is feasible to do so. Feasibility is in terms of being admitted to the preferred institution and being able to finance attendance.[1]

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[1] For every prospective student S_i, for i = 1 through n, colleges j = A,B,C,D...Z, has utility U is as follows:

(1) $U_{ij} = E(I_j) + P_{ij} - D_{ij} - O_{ij}$

$E(I_j)$ = expected employment payoff incremental over non-college attendance discounted to the present, for having attended college j.

P_j = non-monetary pleasures of attending j both in the present and across the future.

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D_j = direct cost of attending college j.

O_{ij} = opportunity costs for attending college j.

Student decision rule: Optimize U_{ij} subject to admission ($A_i = 0, 1$ variable) and financing barriers ($F_i = 0, 1$ variable).

therefore: (2) for $\sum S_i$, optimized U_{ij} subject to $A = 1, F = 1$.

THE FACTORS STUDIED

Enrollment in any particular institution or set of institutions will depend upon the number of students facing a choice, the arithmetic of their individual utility functions, and the particular barriers which they meet in fulfilling their choices. Some of these factors can be known with relative certainty, others can be guessed at, and still others must be considered unknown and unknowable. We have been able to address each theoretical aspect at least in part.

Deomographics (S_i)

The population of prospective students making a choice between institutions can be known with some certainty and the effect of changes in this population on the institutions can be studied separately from other effects. Within this study this has been treated as the demographic variable.

Labor Market Pull $[E(I_j)]$

The expected income payoff of attending a program at a college is not a known quantity to the prospective student, but rather a sense of what employment circumstances will be. This "sense" in turn is based upon cultural messages as affected by time lags for receiving employment information and time needed for attending the program,

- continue -

and by the fact that young students in particular will tend to have a poor version of the poor information available. Income payoff is different for different types of academic programs. Note also that future income is mentally discounted (as in any investment question). Moreover, the concept of "expected value" captures the uncertainty with which prospective students view these payoffs, i.e., a belief in the probability that beginning accountants will be paid $30,000 a year in the year that they graduate versus belief in another probability that they will be paid $35,000. Despite all of these qualifications of probability and poor information, this is one of the main reasons for which students attend college, especially the students who have traditionally attended the two universities under study. In our analysis we will concentrate on this factor as a "labor market pull" variable for the different disciplines currently being offered by the two subject institutions.

Non-monetary Factors. (P_{ij})

The non-monetary benefits of attending one institution as compared to attending another institution are beyond the scope of this study. A method for handling this is to assume that these factors will remain constant over the period being studied and therefore are captured in the current relative market shares of the various competing institutions in the base year.

Unemployment Factors. (O_{ij})

The opportunity cost of attending a college program is the foregone benefits of other things which one might be doing during

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those years. These other things would have non-monetary values as well as monetary value. Their non-monetary value presents the same problem as it did in choices between institutions and will be treated in the same manner by otherwise holding constant to the base year's ratio the relative market share which non-college attendance receives in the population. The monetary payoff of not attending college is a different matter. It is a question of whether the person not attending school can and does find a job and how much that job is worth in present value term for the period in which the student would otherwise be attending college. Note that this factor is less dependent upon the choice of college than upon outside factors affecting employment and wages. Because of this, changes in the opportunity cost for college attendance over the period of study can be estimated from actual and predicted changes in employment rates and wages for different age groups. For those additional (or fewer) unemployed, the opportunity cost of attending college has changed temporarily and we assume that in short time they redistribute themselves among the employed and collegiate populations as if they were a new source of population in the state.

Direct Costs (D_{ij})

Direct costs are discussed in part under the study of enrolled student financing barriers (F_i) and in part under price competition for new students. Direct costs to a student vary from instituion to institution depending upon tuition, room and board as discounted through financial aid.

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Some observation about the effects of nominal direct cost on competitive position may provide a useful context. Buyers sometimes assume that a higher price indicates higher quality when little else is known about a good. There is some evidence that higher education is just such a good and that this "upward sloping demand curve" applies at the earliest choice points when students choose a cluster of colleges to consider (hence, in part, the belief that more expensive private colleges must be better). It is possible, then, that larger nominal costs may be an attractive factor for a college, especially for families who believe that need-or merit-based aid will help them finance education at a "better" place. In this game the pricey privates gain over the economical ones, and these in turn gain over the publics. Major cost differences can also have the opposite effect. There is evidence that families also assume that the "better" effects of a private education can never make up for the huge sacrifices required to invest in one, and therefore assume from the start that their children will go to public schools. The degree of cost difference which will exist between public and private schools in Connecticut over the period studied will be resolved politically in a state which is heavily biased toward its public institutions. Moreover, in the non-price competition of off-campus locations, the privates seem to be headed for a period of greater regulatory constraint. Without estimating directly what all these effects will be, we assume that they may well combine to be significant and negative in their impact on the less economical private institutions in general and most especially on those priced just above the bargain-basement level.

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Admission Barriers. (A_i)

The access barrier of admission itself could be studied by comparing the standardized test score for students applying to these two schools with scores for the different colleges with which they directly compete. This study has not addressed this aspect.

Financing Barriers (F_i)

A financing barrier exists when net direct cost of attending an institution is greater than the resources available to a student for meeting those costs. A ratio of net direct costs to resources which approaches one indicates severe strain on the family in its ability to send the student to a particular school. Resources being considered include a student's own job, the amount a student can net from participating in loan programs, the expected parental contribution as determined by finanacial aid forms (the FAF), the amounts which parents can net from participation in loan programs when they both qualify and do not have other barriers for doing so, the existence of a rich relative who can aid the student, and the existence of unreported income and savings ("black" money and "the mattress"). By using information available on the distribution of reported family incomes for the student bodies of both institutions and an estimation of what net direct costs and all resources would be for each income distribution, some estimates can be made of the enrollment impact of changes which create financial barriers or increase the financial strain on families.

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III. METHODS

A ratio/flow model suits our needs by focusing attention on individual incremental effects which can be studied separately. This assumes that there is no correlation among the factors studied, which is not entirely true, but it allows us to take advantage of research being done elsewhere on the individual factors which can be adjusted as applicable to these institutions. It also allows us to omit operations for years where data is not usable. By treating each factor ceteris parabus and subjectively assigning to it a conversion ratio, we expect to be able to express our understanding of (a) the relative significance of the factor and (b) the direction and magnitude of that factor's effects in such a way as to allow us to separately express our confidence in each of these aspects. This will aid us in the analysis of risk for financial projections based in part upon this study.

The information developed in such a model might help to pinpoint programs which will be especially sensitive to certain factors and those where there will be opportunity for enrollment growth. It might lead, for instance, to a policy of charging different tuitions for study in different programs at different sites. It might also suggest what the faculty size in different departments will become if the institutions do not join forces but instead adjust incrementally to the demand for their programs. While it will not provide a crystal ball or predict what the actual future will be (since this information itself should change the behavior of the two institutions) it should provide a useful exercise for thinking about enrollments within the competitive structure of the higher education industry in Connecticut and its surrounding states.

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Ideal characteristics for such a model would be:

1. Ratio/flow model which could be fed by regression or other approaches to projecting the assumption variables.
2. Computer-based model to facilitate sensitivity analysis, with output in distributable form.
3. Simple to run and understand.
4. Emphasis on available data.
5. All variables specified but then reduced so that the quantitative effort uses those which are available.
6. Reasonable and interesting results with validation of the model on historical data and on projections developed by other means by others.
7. Limited number of variables.
8. No feedback loops.
9. Clear specification and easy modification of assumption variables.
10. Detail for full time, part time enrollment.
11. Modular design to facilitate further refinement and increases in complexity.
12. Accuracy: Error will be cumulative, but work informed subjective assumptions toward an accurate enough picture for the Commission to use in making broad recommendations about the futures of the two institutions.

The conceptual flow which we use is schematized in Figure 1. Exhibit A at the end of the paper gives a full description of the program and outcome for three scenarios.

Unit of Analysis and Base Year

In attempting to predict the changes in enrollment patterns over the course of the next five years, it became clear that the most useful unit of analysis for this purpose was the Full Time Equivalent (FTE)enrollment figure as defined by HEGIS, for each adademic year.

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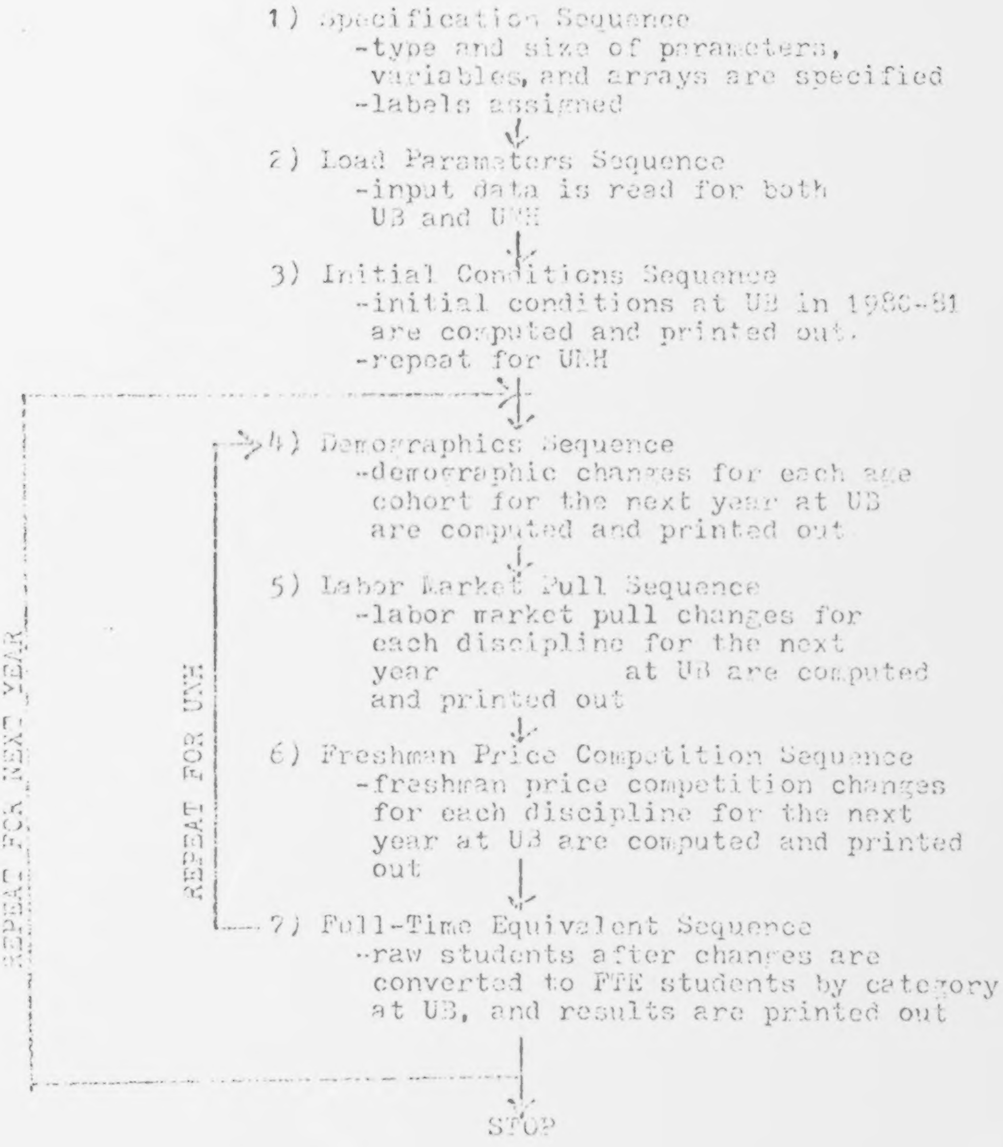
At the end of the analysis when a projected FTE figure is calculated for each institution, it will then be possible to break it down into its separate components - full-time and part-time, undergraduate and graduate, to estimate the amount of projected revenue to be expected in each category, assuming (broadly) that these proportions will remain relatively constant over the period studied.

Some of the variables considered -labor market pull and price competition, for example - need to be looked at by discipline (Engineering, Business, Arts and Humanities, etc.) since one cannot assume the enrollment changes in these fields will be similar, or even in the same direction. Since we have no breakdown by discipline, we use the FTE figure and divide proportionately according to the ratio of degrees actually granted in each field(which figures we do have) to arrive at a unit of analysis for these discipline-sensitive variables.

The Base Year chosen is 1980-81, as that is the most recent year for which we have the most data available. In those cases where '80-81 data was not the best obtainable, we have used the better data and made the necessary adjustments.

FIGURE 1

Components of the Enrollment Projection Model



1) Specification Sequence
-type and size of parameters, variables, and arrays are specified
-labels assigned

2) Load Parameters Sequence
-input data is read for both UB and UNH

3) Initial Conditions Sequence
-initial conditions at UB in 1980-81 are computed and printed out.
-repeat for UNH

4) Demographics Sequence
-demographic changes for each age cohort for the next year at UB are computed and printed out

5) Labor Market Pull Sequence
-labor market pull changes for each discipline for the next year at UB are computed and printed out

6) Freshman Price Competition Sequence
-freshman price competition changes for each discipline for the next year at UB are computed and printed out

7) Full-Time Equivalent Sequence
-raw students after changes are converted to FTE students by category at UB, and results are printed out

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The 1980-1 to 1985-6 iterations will include the following variables: demographics, labor market pull, and price competition, arriving at estimates for each school with adjusted distributions for each. The 1980-2000 iterations will contain only demographics changes. Conversion ratios used for our estimate for revenue-planning purposes in terms of full-time/part-time graduate and undergraduate enrollments are:

TABLE 2

CONVERSION OF FTE TO REVENUE

UB	FT,UG	PT, UG	FT, GR	PT, GR
%FTE	.6775	.1247	.0886	.1209
$/st	$5599	$715*	$5599	$810*
UNH				
%FTE	.5595	.2375	.0419	.1658
$/st	$4672	$577.8*	4110	$561.7*

*Average credit hours x cost per credit hour

CONCLUSIONS AND SCENARIOS TRIED

While the study omits far more than it considers, it does give us some information which is helpful in suggesting how these two institutions might move forward. Despite widespread concerns over demographic trends, this does not pose a major problem for these institutions through 1985. Through the year 2000 this factor on its own would lead to a 7% decline in enrollments from the 1980 level for the combined institutions. It is interesting to note that for UNH alone demographics would lead to slight gains through 1990, given that they retain their current market shares of the different age cohorts they serve. The severest decline would be felt by UB because of its greater current emphasis on the traditional college-age population. This indicates that in joining with UNH, UB would shift toward the older markets in ways which would position the new institution less beneficially than UNH alone but more safely than UB.

Our analysis concerning unemployment indicates that this will not offer a big bonus of students in the near future. Unemployment is traditionally lower in Connecticut than it is nationally and projections from available numbers indicate that any enrollment bonus from the current recession should already be on the campuses this year.

The results of demand in the labor markets on enrollment should be favorable to the new institution. If the two subject institutions were studied separately, however,UNH would appear to be in excellent market position for gaining from this effect, since 83% of its students are currently in those fields which should experience growth. UB, on the other hand, has only 1/3rd of its students in areas slotted for growth and 2/3rds are in areas either stable or in decline. This indicates that UB has much to gain in repositioning itself into a new university which would include a dominant emphasis in these areas of service to the labor market.

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Price competition at the sub-freshman level also contains some surprises. Compared to the other schools that its students apply to UNH, with its low charges, is priced relatively high. UB, with the higher tuition, is actually more of a bargain in its comparative set. This supports the UNH contention that it cannot raise its tuition by $1,000 to be in line with other privates in the area; the other privates in the area are not its prime competitors. This observation is in line with the fact that average family income at the University of Bridgeport is several thousands of dollars higher than it is at the University of New Haven. Apparently University of New Haven full-time students will only attend a private college if it is clear that they can afford to do so. UB, on the other hand, may be able to raise tuition; it is in a stronger price competitive position than is the University of New Haven hence giving it separately more flexibility to adjust its tuition rates. This also indicates that the two institutions operate in different markets and that price as well as other factors will have to be considered carefully if the combined institution is to retain the breadth of the two premerger market bases. One implication here for the new institution is that it might raise its full-time undergraduate tuition above that commanded by UB, but only as long as it accompanied this with a very strong and very public discounting of its price for those students whose financial condition suggests that they can only afford the least expensive of the private institutions.

The real difficulty which is posed in this study is possible losses of enrollment due to under-funded financial aid programs. Part of our problem in this analysis is that government policy has been shifting throughout our

- continue -

period of study and it is not yet clear exactly how much federal aid will be cut. Moreover, enrollment is a function of amount of institutional aid which can be substituted for losses in governmental funding. While the institutions collectively might make do with less than the $2 million they could loose, there comes a point where failure to supply institutional aid to replace federal aid creates a financing barrier such that revenues are lost anyhow.

The Three Scenarios Tested

See Exhibit A appendices for details on the following projections.

In our first scenario we tested separate futures for the two institutions under the assumption that "Labor Market Pull" would have a highly dampened annual effect, on the order of one tenth of the calculated job opportunity in any given field.* Price competition was weighted at the 5 to 1 ratio suggested by empirical research. (See Table 9 for the resulting FTE which were then converted to revenues according to Table 2, p. 15, for the financial feasibility analysis). *We also tested this unknown variable at 1/5 and found the results unrealistic.

The second scenario assumed a combined institution with a common tuition policy. One such policy could set full-time undergraduate tuition slightly above the base year UB level, with the effect of driving out some enrollments previously attracted by the lower prices at UNH. We used the price competition variable to enter this price change for the UNH students. The program, as it stands, forces us to apply this change across part-time and graduate students as well, distorting the resulting FTE figures heavily in the pessimistic direction, making them truely "worst cases."

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A third scenario explores an alternative tuition policy: lowering full-time undergraduate tuition to the UNH levels. Response to this price change is estimated for all students formerly paying the UB prices, for an exaggeratedly optimistic enrollment effect. The resulting enrollments would generate income to help cover the costs of the policy but through enrollment numbers beyond the capacity of the combined university.

We are not suggesting here that enrollments will match our numbers. We have only set up this method to help us understand the direction and force of how some of the main factors discussed in the past several months may actually work out on the basis of quantifiable background data. We were also able to manipulate the data in order to test how our assumption distort these estimates.

Enough of what we have found in this study has been surprising, reassuring, or counterintuitive to have made it worthwhile. The computer program remains available for elaboration and for the testing of other scenarios and assumption beyond those included in this report.

TABLE 9

Full-Time Equivalent Enrollment Projections

YEAR	SCENARIO 1		SCENARIO 2*		SCENARIO 3**	
	UB	UNH	UB	UNH	UB	UNH
1980-81	4780	4434	4780	4434	4780	4434
1981-82	4732	4555	4732	4166	4994	4555
1982-83	4770	4752	4770	3974	5316	4752
1983-84	4817	4964	4817	3797	5675	4964
1984-85	4877	5194	4877	3635	6079	5194
1985-86	4954	5443	4954	3485	6540	5543
1985-90	4639	5284	4639	3383	6124	5284
1990-95	4416	5036	4416	3225	5829	5036
1995-2000	4491	4927	4491	3154	5929	4927

*Raise tuition from base year at UNH by 1813/3600 = 50%. Divide by five (the price elasticity variable) = 10% additional annual negative impact on UNH enrollment set.

**Lower tuition from base year at UB by 1613/4620 = 35%. Divide by five (the price elasticity variable) = 7% additional annual positive impact on UB enrollment set. Numbers excede university capacity; option infeasible.

DOCUMENT D-5 Legal Analysis

TO: Gail S. Chambers

FROM: Barry Waxman

RE: University of Bridgeport/University of New Haven:
Legal Aspects of Merger

DATE: February 10, 1982

I. Alternative Formats

Although we operate under the name "University Merger Study Commission", the word "merger" is used in a layman's sense (i.e., some kind of joining of forces), rather than in the strict sense of a merger as defined in the Connecticut Nonstock Corporation Act (Chapter 600 of the Connecticut General Statutes), the provisions of which govern the corporate status of these two institutions. A preliminary step to an examination of the legal constraints on, and legal impact of, any proposed joining of forces is a specification and definition of the various legal formats which might be employed. Those legal formats would seem to be the following:

(1) consolidation
(2) merger
(3) holding company
(4) interlocking directorates
(5) contractual relationship
(6) dissolution of one corporation and acquisition of its assets (or some of them) by the other.

A consolidation would be a combination of UB and UNH into a new corporation, resulting in the termination of the separate corporate existence of the two consolidating corporations and the creation of a new corporation.

A merger would be the combination of UB with UNH, or of UNH with UB, resulting in the termination of the separate corporate existence of the disappearing corporation and the continuation of the corporate existence of the corporation designated in the plan of merger as the surviving corporation.

In a consolidation or merger, the new or surviving corporation (as the case may be) is, as a matter of law, (a) possessed of all of the assets of the consolidating or merging corporations and (b) subject to all the liabilities of the consolidating or merging corporations. The charters, by-laws, Governors and officers of the new or surviving corporation would be as set forth in the plan of consolidation or merger.

The use of the holding company format would involve amending the by-laws (and, possibly, the charters) of UB and UNH, which are presently nonmember corporations, to provide for one member for each. That member would be a new nonstock nonmember corporation, which would have charters, by-laws, Governors and officers as specified in the organizational papers (which would have been previously settled on by the UB and UNH Boards). In this format, UB and UNH would keep their respective separate corporate existences, assets, liabilities, charters, by-laws, Governors and officers. However, as reflected in the required amendments to their respective charters and by-laws, certain specified powers hitherto possessed by the respective Governors of the two entities would thereafter be reposed in the sole "member" of each corporation, the new holding company, which would act through a Board of Governors whose composition would have been set in the underlying UB/UNH understanding.

The interlocking directorates format would consist of the creation of identical Boards of Governors for both UB and UNH, which would keep their respective separate corporate existences, assets, liabilities and charters. It is possible that the by-laws of the two corporations would be made identical, or at least more similar, and there might be an elimination of certain duplicative officers. The persons that would serve as the Boards of each of the institutions would be set in the underlying UB/UNH understanding, and would be created by specified resignations and appointments.

A contractual relationship between the two institutions could take a wide variety of forms, none of which would affect their separate corporate existences, assets, liabilities, charters, by-laws, Governors or officers.

The dissolution/acquisition format would be (at least as to the dissolving institution) the most radical of the six alternatives, since it would terminate the corporate existence of the dissolving institution and require that arrangement be made for the payment of or provision for the liabilities of that institution and for the disposition of its assets. A plan of dissolution/acquisition, adopted by the two institutions, would be intended to result (subject to statutory constraints, discussed below, and the pressures of creditors, especially secured creditors) in the transfer, to the institution that is to survive, of those assets of the dissolving institution that can be used by the survivor, with an accompanying assumption, by the surviving institution, of those liabilities of the dissolving institution that legally or morally must accompany those assets.

II. Preferred Format - Statement of Conclusion

Although there would be different legal results for the alternative formats, and procedural hurdles fo some that don't exist for others, there would seem to be no insuperable barrier to the employment of any of these formats. Accordingly, Barry Waxman and Robert Cavanagh (of Wiggin and Dana, counsel to UNH) are of the view that the choice of the format should in the first instance be dictated by the ends sought to be achieved by the joining of forces by the two institutions. Therefore, those ends must first be articulated and agreed upon by the Boards of the two institutions. That done, it can then be determined which of the alternatives is substantively best suited to the accomplishment of those ends. Should it be decided that more than one of the formats are equally suited, the format that is procedurally the most convenient (i.e., in terms of speed, expense, complexity, etc.) can be chosen.

III. Corporate Procedure for Accomplishing the Alternative Formats

IV. Regulatory Approvals - Education

V. Problems Presented by Endowments, Legacies, Etc.

VI. Consents of Creditors

VII. Labor Relations; Pension Plans

The labor relations and pension aspects of the proposed joining of forces of UB and UNH are beyond the scope of this memorandum. Other attorneys (Robert Snow, of Wiggin and Dana, for UNH; and Fred Sullivan, of Sullivan & Hayes, in Springfield, for UB...and perhaps someone else for UB non-faculty labor relations) are considering or will consider these matters.

The significant difference, in this area, between the two institutions is that the UB faculty is unionized, while UNH is in the midst of a "Yeshiva" battle. The holding company, interlocking directorates and contractual affiliation formats would not seem to provide a catalyst for ending the separate stances of the two institutions. However, consolidation, merger or dissolution/acquisition would be such a catalyst, since the "duty to bargain" (though not necessarily any particular contract), such as it is (i.e., to the extent such duty exists with respect to any particular group of employees), would carry over to the surviving corporation.

It would seem that a decision should first be made as to the results intended in the labor area. Then it can be determined whether any particular format choice is dictated by that decision.

BARRY WAXMAN'S INITIAL REACTIONS TO THE MENARD MEMORANDUM

A. Duty to Bargain

Menard's approach is very conservative. Essentially, he suggests holding up the implementation of the "merger" while the Universities bargain with their respective unions regarding the decision to merge and the effects of the merger. His hope, evidently, is that the bargaining will resolve disputes that otherwise might result in costly and time-consuming administrative and judicial proceedings....in other words, let the parties settle things, not administrative agencies or the courts.

He suggests bargaining over the decision to merge even though (i) a good legal argument could be made that it's not necessary under existing law and (ii) some of the contracts involved contain clauses that can be read not to require it. The conservative approach is evident here too....it takes the tack "bargain rather than risk litigation over whether you were required to bargain".

He suggests UNH bargaining with its facualty notwithstanding the Yeshiva stance it has taken heretofore, since the risk of (i) going forward without bargaining, (ii) laying off UNH people without bargaining, and then (iii) losing the Yeshiva case, could be extreme (e.g., back pay and reinstatement).

B. Duty to Recognize Unionsafter Reorganization

The discussion here is very complicated. It seems to proceed on the assumption either that pre-merger bargaining doesn't take place or that it takes place but doesn't result in resolution of questions as to post-merger labor questions.

If, under the format chosen, the two universities remain as separate entities, then the posture is that each will be responsible respectively for its own contracts and unions, and will have to continue to recognize its existing contracts and its duty to bargain. An exception will apply if, despite the separate corporate status, corresponding employee groups are merged into an integrated group, thus creating (at least in our case) a "question of representation". If that is the situation (which I believe he thinks it is here, but which the NLRB must decide), then existing collective bargaining agreements must be honored, but no bargaining is to be done until new elections determine which union (if any) wins the right to represent a given integrated group.

If the format chosen involves a statutory merger or consolidation or even a dissolution of one University and the transfer of its assets to the other (presumably UNH dissolving), then the posture is that the surviving University is bound (a) to bargain with, and recognize existing contracts with, the unions representing its own employees and (b) to bargain with, and recognize the existing contracts of its predecessor with, the unions representing its new employees who were formerly employees of its predecessor. In each case, the duty to bargain is subject to the "question of representation" exception discussed above.

In the situation where, rather than a statutory merger of consolidation, there is a dissolution of UNH and a transfer of its assets to UB, Menard's conclusion in (b) above is a conservative one, since in that situation an arbitrator or court might find that there is no obligation for UB to bargain with, and recognize the existing contracts of its predecessors with, the unions representing the employees that were its predecessors' employees. Since, however, an arbitrator or court might find otherwise, Menard in effect suggests the conceding the issue. (In a footnote that spells out his general approach, Menard says: "If this approach is chosen it should be negotiated with the unions before the merger. If an agreement to this approach can be consummated with all the unions, the Universities can insulate themselves against most, if not all, claims.")

C. My Tentative Conclusion

If a risky labor stance is to be taken (i.e. UNH to push forward on Yeshiva and not bargain with its faculty and UB not to accept any responsibility with regard to UNH unions or union contracts), then the best format for the affiliation would be one that keeps the two corporations as separate legal entities, thereby giving UB the best shield against having its assets subject to the claims of UNH's employees.

However, if the decision is made to bring all the unions into the merger process and to have existing UNH contracts carry over, then the risk of significant claims (e.g. court-ordered remedies after an adverse Yeshiva decision) against UB assets on behalf of UNH employees is minimized, and there would be less reason to avoid a format that involved the disappearance of UNH as a separate corporate entity.

REPORT OF THE UNIVERSITY MERGER STUDY COMMISSION

Submitted to the Presidents and Governing Boards
of the University of Bridgeport and the University
of New Haven.

APRIL 5, 1982

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DOC. E-1.02

REPORT OF THE UNIVERSITY MERGER STUDY COMMISSION

I. THE WORK OF THE COMMISSION.

In February, 1981, the executive committees of both university boards agreed to bring their thoughts concerning merger under a period of study. Following the commitments of the Ford and Exxon Foundations to help fund such a study, the presidents appointed an outside commission of educators, corporate executives and specialists to develop the necessary information and recommend whether or not some form of cooperative effort might be desirable. Using the preceding work of the presidents, trustees, and outside consultants as a jumping-off point, the Commission began its work in November of 1981.

Its first task was to know the universities squarely as they stand now with their individual histories, implicit and explicit mission, strengths, and weaknesses. Since there had been little exchange of data and little acquaintance between personnel of these two institutions prior to the suggestion of unification, much of the early work of the Commission was involved in drawing together a basis for understanding how they might relate to one another. Following the Commission's December meeting, its staff turned attention to extensive interviewing on both campuses, a process which continues throughout the period of preparing this report. Throughout the interview process, the staff of the Commission has been impressed by the depth of thought and commitment which those who live and work at these universities bring to their missions. Its recommendations are based in large part upon the quality and wisdom of the people with whom it has had the privilege of working. In fact, the Commission finds itself in the proper role of articulating those things which many in the universities have themselves been telling us.

The Commission began its work by asking first what it was that made these universities distinctive already, and asking whether these strengths could be blended to any degree -- from handshakes between individuals in comparable positions, all the way through consortial arrangements perhaps to full merger -- in order to bring strong educational advantages to their students and to the regions they serve. At the same time, the Commission's staff was asked to bring together background information upon which the feasibility of any such arrangement could be studied. Accordingly, studies went forward on the various extraordinary costs which could be incurred by the universities under different forms of cooperative venture and the various resources which could be brought to bear to cover these expenses. Studies included analyses of the financial positions of each institution, projections of enrollment for the institutions separately and additively, studies of possible economies in the financing of administrative services and the academic realm along with studies of questions of accreditation and legal constraints.

In all of the Commission's deliberations, it was assumed that any recommended pattern of action should come as a natural outgrowth of the histories and missions of both universities: that the recommended action should represent a substantial educational improvement in order to justify the risks and difficulties of change; that it should signal a stronger

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future for each institution than could be achieved by that institution separately; and that it would have to be within reach of those who would carry it forward and make it their own.

The Commission understood that it would be in the unique position of reflecting upon both institutions objectively. Therefore it would perhaps see possibilities or barriers not clearly visible to those whose thoughts have been devoted to their own institutions. Nevertheless, whatever the Commission proposed would be based on the wisdom of those who knew the places best.

II. THE RESULT OF THE STUDY

A central question facing the Commission has been whether or not there is enough closeness of thought and mission between the University of Bridgeport and the University of New Haven to support the idea that they might become one. A companion question concerns the timing of any moves toward union. In presenting its report the Commission expresses its unanimous belief that the two institutions would serve themselves and the cause of education in their region best by moving immediately to create a fully merged university. In the light of financial pressures which threaten to erode these institutions there is neither advantage in delaying the process of merger nor in trying halfway measures which would lessen the ability of the new institution to focus its mission. The new university should be created as quickly as possible in a thoroughly integrated form.

With this principal theme the Merger Study Commission presents the following recommendations to the presidents and governing boards of the University of Bridgeport and the University of New Haven.

Recommendations

Mission and Purpose.

1. That these institutions choose full merger* as the form of cooperation which best ensures the future of their mission to serve as a center of private higher learning for the benefit of Southern Connecticut and contiguous geographical regions.

2. That the new institution have a new name, such as the University of Southern New England, chosen to identify with the broadened region of service rather than identifying with either geographically narrow origin; that it would be even more desirable to identify the new university by its mission through the name of an individual who symbolizes that mission in person and in substance.

3. That the new institution offer career-oriented programs based upon a strong core of basic disciplines in the liberal arts and sciences. That in all undergraduate degree programs the curriculum reflect a balanced combination of both general education in the liberal arts and sciences and consideration of the contemporary world of work as represented by professional careers to be prepared for either directly or through progression on to graduate and professional schools.

4. That it be a first principle of the new institution to seek to establish regional accreditation as currently held by the pre-existing universities and that it continue to seek appropriate specialized accreditations.

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*The term "merger", as used in this document, means a combination rather than any particular form.

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5. That in keeping with the developments of the late 20th century, a program encouraging enrollment of students from a wide range of backgrounds and preparations both at home and abroad continue to be practiced as it is now in both constituent universities.

6. That balanced consideration be given to the residential student, the commuting student and the part-time student.

7. That the connection between the new university's capabilities and its service to industry be considered a primary goal of administrative and academic cooperation. That the new university review its service to the community in the broadest sense and actively seek opportunities in the non-industrial sectors as well.

8. That the university serve both as a center of learning and as a center for research both basic and applied in so far as resources of qualified persons and facilities permit or can be economically arranged with those who seek such service. That entrance into programs of additional earned doctorate degrees be held in abeyance until the manifest need for them should be presented by the administration and supported by the governing board; it is felt that this will occur only if the university's colleges have evolved a substantial base of research support.

9. That all units, academic and administrative, be integrated within the university and that each be physically located in the place most appropriate to its mission. To achieve this, physical proximity is not in itself essential but organizational unity is.

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10. That in most instances faculty rather than students will travel between sites with courses scheduled throughout the university to minimize the commuting time of the student body.

11. That policies concerning use of adjunct professors, faculty teaching loads and faculty travel be designed so that extension courses will be staffed heavily by full-time faculty, preferably as part of their regular teaching loads.

12. That programs should be phased out following the merger only through procedures which make due provisions for students already committed to these lines of study.

Procedure.

13. That the two institutions be combined legally at the earliest possible date; that in the interim they be contracted to one another in such a way as to both signal that an integrated future will arrive and to require that all constituencies move into that future.

14. That the existing boards at their earliest full sessions, and with such amendments to their charters and bylaws as may be required, establish a holding company with a board empowered to bring about, at the earliest possible date, a fully unified university under a single new board of trustees. That this holding company board should be composed of seven trustees from each institution's board and additionally, five leading citizens as agreed upon

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by the boards of the existing universities. That the holding company board duly constitute itself, decide upon the form of the merger, and take all necessary steps to implement it, including selection of officers to lead the new university. That the charge to the holding company board be clearly distinguished from the ongoing operating responsibilities of the existing boards as they continue to govern the separate operations until formal integration. In recommending that the universities establish a holding company and a holding company board the Commission does not intend that this carry any inference as to legal mechanisms which the organization might choose as the vehicle to accomplish its integration.

15. That the new institution retain the largest number of faculty and administrative personnel possible subject to economic realities and proper labor practices and procedures as commensurate with the mission of the new university.

16. That the new institution seek to produce a system of incentives and control which will encourage long range educational thinking and financial stability.

17. That, in the interest in maintaining healthy enrollments in the private as well as the public sector of American higher education, representation continue to be made to the federal and state governments for financial assistance to needy students in order to maintain

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their freedom of choice between attending private and public colleges, a policy which will save the taxpayers money and benefit the country.

18. That the holding company board engage in a substantial informational effort to convey the mission and promise of the new university to its internal and external constituencies, especially the alumni, and to the general public.

19. That a major fund-raising effort be instituted to realize the funds needed for transition and to achieve the academic enhancement envisioned.

III. CONCLUSION

Our work with these universities over the past several months has offered intriguing insights into the internal strengths of American higher education. We hope that our assessments and the recommendations given above have the effect of helping them build these strengths in Southern Connecticut toward a model of how a comprehensive, and accessible private regional university can have a future that is educationally distinguished and financially sound.

To bring about the advantages which we feel are possible and compelling will require the extensive talent available within both institutions: in their boards, in their faculties, in their student bodies,

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their staff, administration, alumni, and friends. Much will be asked of everyone by the task itself and through the commitment of these people we believe a better, fuller university will prevail.

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April 15, 1982

CONFIDENTIAL

Gentlemen:

This letter summarizes our analysis of legal and financial feasibility of a merger between the University of Bridgeport and the University of New Haven, as envisioned by the April 5th Report of the Merger Study Commission and its accompanying staff report.

In brief, the Commission finds that both institutions, separately or together, will have enormous economic problems; that they could compete with each other destructively in the face of these problems, or could choose merger as the best way to confront them and at the same time enhance academic service.

The Commission does not find an easy resolution; in fact, it was unable to come to closure on all the complex issues presented herein. Rather, it sees the universities as having a choice between risky futures. For this reason, our analysis is done in the conservative extreme, highlighting the risks and suggesting strategies which could reduce them. The Commission felt that very different results would come from a more realistic set of assumptions; specifically, that the complementarity of the institutions would produce through merger a complete and distinctive private regional university whose large and indispensible services would draw the resources needed to make it succeed.

Legal Issues

Corporate form. All legal forms for cooperation were explored initially, including consortial arrangements, consolidation, merger, acquisition in whole or in part, and a holding company format.

The Commission has recommended immediate establishment of a holding company as an interim, "bridge" mechanism for the following reasons:

1. To allow negotiating flexibility for very fluid circumstances.
2. To contract with finality at the earliest point the decision to come together, so that planning and implementation can proceed while the legal details are resolved. This would avoid repeated approval steps, with accompanying implementation delays, which could place both institutions and the merged entity in less able circumstances. For example, a delay of a few calendar months over the summer can delay needed changes by a full academic year.
3. To establish the legitimacy of claims that this will be a better place, by making it clear that the new institution is being designed neutrally for its own best future rather than as a mutual bailout to "divide the pie" between constituencies of two pre-existing institutions.
4. To provide, via a "sunset" clause, for the eventuality that the holding company board itself, once it gets into actual negotiations under shifting conditions,may find that it is unable to arrange a workable configuration; it could decide instead that the costs of retreat are less than the costs of proceeding, and allow its charter to expire without finalizing a merger.

The Labor Questions. The Commission felt labor issues here were complex in the extreme and therefore hired to advise it the most experienced firm it could find. We are told that while due care must be taken, from the labor point of view merger is feasible through numerous routes; that this issue need not rule in any decision on whether or how to combine the two institutions.

Financial Issues

Merger for Market Position. We have found in our work that UNH serves different markets than does UB, both geographically and in the price/quality continuum. Most well-established universities span such a range with (1) a core of on-campus quality supported by a residential program of full-time faculty and students, and (2) programs which extend this base of service to surrounding communities, often with missionary zeal. At a quality university these balance and support one another to provide greater excellence, both in quality and in its delivery, than can either mode of operation alone. The Commission finds that these universities with their limited resources have been unable separately to bring about such a balance. By combining these institutions within a common mission, the major modes which each one has lacked could come together, placing the new university into the ranks of those which support a full range of internal quality and a full range of external service.

The University of Bridgeport has established itself as an acceptable local university moderately priced for full-time students but relatively expensive for part-time students in the region. If it wishes to compete in the part-time market, either in its immediate geographical region or in other areas across the state, UB must develop (1) a pricing structure which will compete and yet be able to support costs and make a contribution to the university; (2) a distribution system that keeps costs low enough not to lose money at the lower price; (3) a quality of operation which will dominate the market for lower-priced part-time degrees; (4)

some product lines which are especially appealing to the part-time market; and (5) rules of access which will make university study convenient for part-time students.

By a joining of forces the new university would have an immediate and extensive part-time distribution system, including the faculty needed to staff it. In order to retain its overall quality it would have to make some shifts toward more expensive full-time faculty but these might be covered by saving duplication of off-campus sites and offerings. It would acquire both current student bodies and continue to attract new students in the part-time market at a properly low price. In addition, the programs not currently available at UB would help diversity the new university's programming toward those offerings most likely to experience growth through increased labor market demand for graduates.

The New Haven Deficit. The UNH is struggling with deficits now; UB has struggled with them in the past. The Commission feels that neither has an assured separate future. In fact, the UNH picture looks the more promising in the long run, even though its short-run troubles are more pressing now. The Commission finds that the recent UNH financial announcements do not basically alter the charge to the Commission, which has been to investigate potential merger between two viable and relatively balanced institutions. We have been aware for some time that there is an imbalance between the two institutions. We feel that this represents a shift in degree rather than a change in direction.

If these developments take on greater significance during the weeks ahead, it is the form of merger rather than its underlying worth which will change: corporate form, negotiating positions, relationships with creditors, relationships between the boards, questions of dominance, and both a need and an opportunity to escape some of the difficulties involved in this particular merger. If these developments go so far as to suggest an acquisition format, many of the problems with which we have struggled might be the more easily resolved.

Regardless of how and whether merger is negotiated by the boards, it is certainly helpful to the future of both institutions, separately or together, that the Commission express its hopes for these places in terms of constructive cooperation as coequals. If circumstances then force other arrangements, these would be mechanical concessions to necessity rather than dominance of one institution by another.

"Worst Case" Futures. The "Notes" of April 12th set forth our "worst case" financial analyses in detail and with pro forma statements of changes in the current fund through 1985-6 for the institutions separately or combined. What the exercise tells us is that, under the most difficult conditions and assumptions:

1. Both institutions face serious difficulties separately, with UNH having the greater hope for external benefits from non-controllable factors, and UB having the greater room for managerial change and external support.

2. They will face the same difficulties together but the non-controllable factors will somewhat offset one another and the opportunities for managerial change, diversification, and external support will be greatly enhanced.
3. Merger costs are small: $½ million over three years plus $250,000-$300,000 more annually for operations (mostly transportation), and accompanying academic enhancement costing perhaps a million more.

Specific concerns which surface in the analysis are:

1. The levels of unfunded financial aid that exist now at both institutions and are increasing,
2. the further uncertainty concerning government funding for financial aid,
3. the problems of setting prices and estimating their enrollment effects in such a fluid setting, in order to find equitable tuition levels to span the somewhat separate markets now served by the two institutions,
4. the possibility that the two boards and their successor may lose the opportunity to substantially endow the new institution, an eventuality reflected in our "worst case" development estimates,
5. the possibility that delays will allow both institutions' positions to become more precarious before their joint benefits can be realized.

Board Response to Risk

We find that there are many routes available for making a better future together, but none are without risk. There is also considerable risk in moving separately toward destructive competition with one another. The public trust held by both boards will call for decisions which are conservative in terms of bringing continued quality educational services to the region. The Commission feels that this trust could best be served by the risks of cooperation.

Despite the months devoted to this project, we remain impressed by its complexity. Our experience leaves us confident that there will be errors in our analysis as it stands now and that you will want to rework the material to test it under different sets of assumptions. We remain willing to assist you at your convenience.

On behalf of Dr. Benezet and the staff,

Cordially,

Gail S. Chambers

THE MERGER STUDY COMMISSION

Summary from the Commission's Technical Studies on Feasibility

Nearly all private institutions in the nation and in Connecticut face an uncertain future because of a demographic downturn, and increasingly disadvantaged competitive positions relative to the public colleges and prospects of sharp reductions in federal student aid.

The decision to merge is a choice between risky futures. The Commission examined "worst cases" for the institutions separately and together, and found that opportunities were most convincing through merger.*

Without strategic change we think UB will face deficits soon. Government aid is weakening; demographics and predicted demand for graduates in UB's areas of study suggest shrinkage rather than growth. Yet UB has the recognition needed to draw outside resources and a position relative to other institutions, including UNH, which will allow it to compete in their markets.

UNH faces fewer long-run difficulties but has little room to maneuver now. It also depends on government aid and on tuition dollars which must come from its somewhat less affluent families; it currently faces a deficit. However, its markets are strongest among the older and part-time students, with demographics and labor market demand suggesting solid future enrollments -- unless its markets are invaded.

UB and UNH will face the same problems together as they do apart. Rather than compete destructively, however, they could provide an example of university reconstruction by combining complementing strengths to establish a major comprehensive university with solid residential programs and extensive regional service. The cost of merger - human and financial (the latter being $1/2 million in capital and $1/3 million annually) - is a small price to pay for the educational enhancement, the regional service, and the fiscal stability which could result.

Specific issues to be resolved, whether or not there is a merger, are: the levels of unfunded financial aid, and labor equity in the face of economic realities. Merger-related concerns are: the problems of pricing across different markets, labor representations to be worked out by the employees, and the possibility of delay in establishing the new institution financially before their separate positions erode.

We feel that bold action now will best fulfill the public trust of both institutions. Therefore we recommend immediate establishment of a holding company to combine benefits of early commitment with the flexibility necessary for negotiation under fluid circumstances.

*As used here "merger" means combination, rather than a specific form.

Prepared by L.T. Benezet and G.S. Chambers
April 22, 1982

THE MERGER STUDY COMMISSION

A Summary of Strengths and Weaknesses for a Merger of the Universities of Bridgeport and New Haven

	Stronger Points		Weaker Points
1.	Achieve the stature of a major cosmopolitan university with strong residential programs related to southern Connecticut through extensive regional service.	1.	Arouses resistance among the publics of the University of Connecticut; costs of merger: (½ million in capital and 1/3 million annually, mostly for transportation).
2.	A distinctive character: the opportunity to realign the university within its mission of broad and convenient access to higher learning and research.	2.	Difficulties of coordinating two formerly separate institutions; a need for faculty and administrative statesmanship.
3.	Variety and new programs; strengthened core of basic disciplines; gains for students and faculty in access to library, laboratory, and computing resources and extra-curricular events.	3.	A call for faculty creativity; loss of local feeling; need for travel by students and/or faculty; tuition equity questions.
4.	Increased productivity in use of strong faculty members and administrators; regularization of personnel policies.	4.	Necessity to build an integrated university faculty under conditions requiring some terminations; complex labor questions with need for experienced (and expensive) counsel to help all parties reach equitable resolutions; limitations on managerial flexibility.
5.	Gains to individuals through increased institutional security.	5.	Losses to individuals through decreased individual security.
6.	Increased long-range stability for creditors and regional users.	6.	Concerns to be answered in the short term.
7.	Reaffirmation of program quality for the institution's general reputation.	7.	Expenses and choices involved in reaccreditation.

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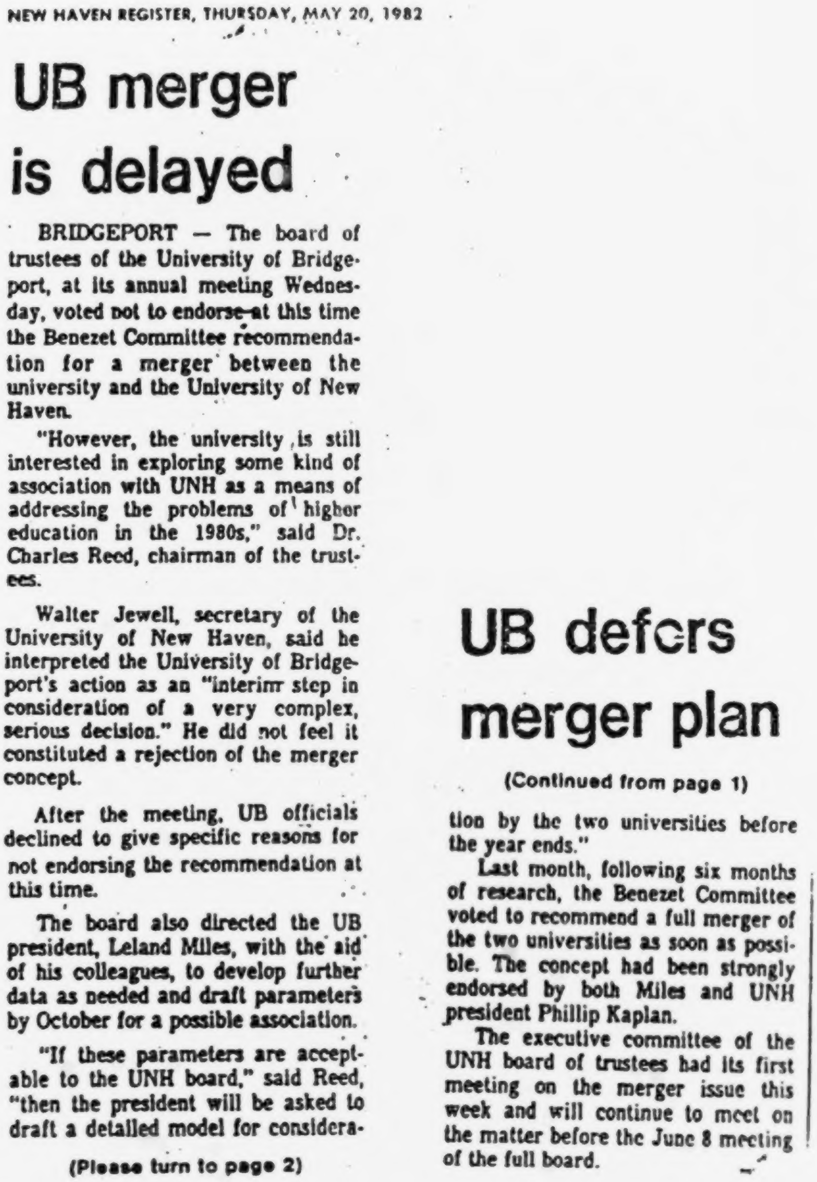
8.	Widespread recognition as a pioneer in university reconstruction.	8.	Becoming targeted by any unfavorable reactions to mergers and personnel retrenchments.
9.	For UB, fast diversification into the growing regional markets, both geographically and in price/product combinations, by access to an established distribution system. For UNH, fast diversification into the more traditional residential student market; costs for doing this independently are prohibitive.	9.	Pricing problems; risk of losing primary market; a need for new systems of fiscal control and incentives; a new set of quality/cost considerations (all problems handled by most well-established universities which run extensive programs of community service).
10.	For UB, an opportunity to penetrate growing markets in the face of sharpened competition at less risk and cost than by building its own programs. For UNH, educationally more attractive options available for reducing the deficit.	10.	For UB, risks and costs of the 1982 UNH deficit. For UNH constituencies, the disadvantage of making arrangements under deficit conditions.
11.	Opportunity to achieve the "critical mass" necessary to command increased recognition and support; chance to raise major new funds.	11.	Increased complexity as management shifts from an institutional mode to one appropriate for running a regional system of private higher education; transitional strains for all constituencies; the work of running a major fund campaign.

Prepared by L. T. Benezet and G. S. Chambers
April 22, 1982

DOCUMENT F-1 "UB Merger is Delayed"



NEW HAVEN REGISTER, THURSDAY, MAY 20, 1982

UB merger is delayed

BRIDGEPORT — The board of trustees of the University of Bridgeport, at its annual meeting Wednesday, voted not to endorse at this time the Benezet Committee recommendation for a merger between the university and the University of New Haven.

"However, the university is still interested in exploring some kind of association with UNH as a means of addressing the problems of higher education in the 1980s," said Dr. Charles Reed, chairman of the trustees.

Walter Jewell, secretary of the University of New Haven, said he interpreted the University of Bridgeport's action as an "interim step in consideration of a very complex, serious decision." He did not feel it constituted a rejection of the merger concept.

After the meeting, UB officials declined to give specific reasons for not endorsing the recommendation at this time.

The board also directed the UB president, Leland Miles, with the aid of his colleagues, to develop further data as needed and draft parameters by October for a possible association.

"If these parameters are acceptable to the UNH board," said Reed, "then the president will be asked to draft a detailed model for considera-

(Please turn to page 2)

UB defers merger plan

(Continued from page 1)

tion by the two universities before the year ends."

Last month, following six months of research, the Benezet Committee voted to recommend a full merger of the two universities as soon as possible. The concept had been strongly endorsed by both Miles and UNH president Phillip Kaplan.

The executive committee of the UNH board of trustees had its first meeting on the merger issue this week and will continue to meet on the matter before the June 8 meeting of the full board.

Preliminary Draft

COMPARATIVE ANALYSIS OF THE UNIVERSITIES OF BRIDGEPORT AND NEW HAVEN

Working Paper

by

Leland Miles

August 30, 1982

PREFACE

In May 1982, the UB board of trustees "declined to endorse at this time" the Benezet Commission's recommendations for an immediate merger of UB/UNH, on the grounds that sufficient data was not available to make a decision. The trustees requested that the president develop a detailed comparative analysis of the two institutions, as a basis for further discussion. Here it is...

In an effort to measure quality/strength, I have included at the end of each summary a rating scale which seeks to rate the two institutions on their relative strength in specific areas of 1981-82. The "grading" used is the traditional classroom scale. The standards are my own for non-Ivy schools, resulting from over thirty years experience in higher education.

Unlike the recommendation paper, this preliminary working document will be shared with the campus family, as promised. Copies will be distributed not only to the UB board and Cabinet, but also to UB administration, faculty, and student leaders, to external constituency officers, and to other appropriate interested UB parties through Cabinet and deans' offices and the library. Copies will also be sent to the UNH president and board chairmen, to other UNH officials as requested, and to members and staff of the Benezet Commission.

(samples from the text)

> The library area illustrates an important point re: the "dilution of quality" issue. It has been argued, almost as a scientific precept, that higher quality is always diluted when mixed with lower quality. In fact, that is not necessarily so. It all depends on how the "mix" is handled. On the basis of cited criteria, UNH's library is clearly weaker than UB's. Yet its non-duplicating volumes, if merged with UB's would immediately improve the latter's collection in size, comprehensiveness, and national rating. Similar "mixtures" are possible in many areas with consequent quality improvement, not dilution...
>
> Such a consolidation of the combined student bodies on the Bridgeport campus would effect considerable plant economies both in staffing, energy, and other operational expenses. The energy savings alone would be $676,000 in 1981-2 terms. The UNH security/maintenance staff totals 41, at an assumed average annual compensation of $13,000. Such duplicative staffing could be eliminated at a savings of $533,000. This arrangement is presented despite the obvious political problems involved, in order to make a critical point; from UB's perspective, the operation of two main campuses within a merged institution creates added expenses which partly negate economies elsewhere.

F. RELATIVE QUALITY/STRENGTH

In an effort to measure over-all quality/strength, we can summarize as follows (see the separate rating scales at the ends of Parts I to IV):

	UB	UNH	UNH score as % of UB
academic quality	80	54	68%
finances/facilities	59	47	80%
university relations	45	25	56%
student services	49	31	63%
total	233	157	67%

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DOCUMENT F-3 Commentary

Chairman to UB President, September 17, 1982:

(L. Benezet)

My total reaction is that the cause for merger has been much changed since your communication of September 24, 1981 to Alden Dunham of Carnegie. In that document you anticipated nearly everything that your exhaustive production of September 13 presents. The difference is your emphasis in the former document on the positive energy that would be created by a brand new University which in your words captures "the best of both worlds". The September 13, 1982 study on the other hand offers a series of doubts and negative contrasts. It could hardly have an effect other than to affront the other party to the university study.

UB President to Chairman, October 4, 1982:

(L. Miles)

You appear to believe that I reversed my position between the September '81 proposal to Alden Dunham of Carnegie Corporation and the September 13, 1982 working paper. There was really no reversal between the two papers and no inconsistency. The proposal to Carnegie was the presentation of a vision or an expression of religious faith. The working paper a year later was an attempt to determine whether there was any foundation to undergird the vision.

DOCUMENT F-4 Letter of UNh President Reporting His Board's Response to the UB Study

UNIVERSITY OF NEW HAVEN
WEST HAVEN, CONNECTICUT 06516

PHILLIP KAPLAN
PRESIDENT

September 22, 1982

President Leland Miles
University of Brideport
Waldemere Hall
Park and University Avenues
Bridgeport, Connecticut 06601

Dear Lee:

We are disappointed that the University of Bridgeport's position fails to reflect the positive aspects and the substantial advantages of a merger which would create a new comprehensive regional private university. We have always believed the benefits of such a merger would help to balance the public and private educational needs of the future. This was the conclusion reached by the independent and objective Benezet Commission.

We also believe that UB's position does not reflect the strong position of UNH but instead overstates UB's assets and strengths.

We also see no evidence that UB, by virtue of its organizational and operational structure, appreciates the economies and efficiencies of a merger that will help control escalating costs which deny educational opportunity to deserving students.

In view of the above, UNH's Executive Committee, acting for the full Board of Governors, regretfully concludes that further discussion on the merger would not be fruitful or productive. The Executive Committee believes that UNH should therefore pursue a separate and independent course and maintain freedom of action regarding its own future development.

UNH wishes UB success in the years ahead as UB strives to fulfill its own unique mission.

Sincerely,

Phillip Kaplan

DOCUMENT F-5 "UB Disappointed by Merger Failure"

6— THE TELEGRAM, Bridgeport, Thursday, September 23, 1982

UB disappointed by merger failure

By GREGORY B. HLADKY
Telegram staff writer

BRIDGEPORT — Having spent two years and $125,000 on a proposed merger between the University of Bridgeport and the University of New Haven, UB officials said Wednesday they were surprised and "very disappointed" to learn UNH was cancelling merger talks.

"We regret that the University of New Haven has unilaterally terminated the merger feasibility process before the study was fully complete," UB President Leland Miles commented in a written response.

Miles stated that UB was "within one month of making a proposal to UNH which would have been of considerable interest" to both universities.

UNH President Philip Kaplan announced that his school was withdrawing from the merger negotiations during a news conference in West Haven Wednesday morning.

Kapla said that UNH's goal for the proposed merger was a "comprehensive multi-campus regional university . . . We feel they (UB) no longer have that view."

Dawes Walter, an associate vice president at UB, said UNH officials may have pulled out of the merger talks because one option being considered by UB was a one-campus institution located at the present Bridgeport campus.

"Possibly they saw the integrity of their campus" being threatened, Walter said.

Merger talks between the two universities were begun in 1980. Officials felt that the proposed merger could allow the schools to compete more readily with publicly funded institutions, and improve their academic quality.

A special 10-member commission funded by grants from the Ford and Exxon foundations totalling $125,000 recommended last April that the two universities merge. In May, however, UB's Board of Trustees refused to give immediate approval to the recommendation. The board stated more information was needed before a merger could proceed.

> 'UB was within one month of making a proposal to UNH which would have been of considerable interest to both universities.'
>
> — UB president

On Sept. 13, Miles issued a preliminary report evaluating the strengths and weaknesses of the two schools. One key element of the report pointed out that UB has more facilities to accommodate full-time students that live on campus.

UB's current enrollment is 6,750 full and part-time students (with nearly 3,000 students living on campus). UNH has about 200 students living on campus, with a total enrollment of about 7,978.

Walter said that a "two-campus option provides less economies of scale that having one campus," and that UB had the larger campus with more student facilities.

Another consideration in the merger discussions was that UNH was projecting a $1.4 million deficit. UNH officials said they have begun a three-year program to eliminate the deficit.

Walter insisted that UB doesn't need to merge with UNH or any other university in order to survive this period of declining enrollments and economic difficulties. "We haven't been, aren't now, nor do we foresee any prospect of (UB) going under financially," he said.

Walter also rejected the idea that the two years of discussions and $125,000 worth of studies had been a waste.

"We gained substantial insights as far as our own mission is concerned," he said. "We're confident this investment . . . will ultimately reap substantial rewards."

Appendix

Information about all college mergers has been welcome, but under previous grants the researcher focused on private college mergers attempted since 1970. No list of public college mergers exists, but available material indicates that public-private and public-public mergers are dominated by the political climate of individual states, with concerns of overbuilt systems making the private-public merger an unlikely occurrence in the next decade. In general, the combination of public institutions has followed a takeover pattern except where desegregation issues forced effort toward equality. Movement of private institutions to public control has also meant takeover. It was hoped that an understanding of what makes private college mergers work in many settings could contribute to an understanding of how these public college mergers might be brought about more smoothly under given state circumstances.

The private college cases were kept as representative as possible, given problems of access, reconstruction, and limited resources. Two groups of cases were chosen, those which resulted in merger agreements and those which entered negotiations but failed to reach agreement. The latter constitutes a set of *non-mergers* that often proved more insightful than those fully negotiated. Such cases are fugitive from the education statistics, however, and often are too sensitive to reach publication in any form. The researcher was fortunate to have some become available to her by chance, some through acquaintance with the history of closed institutions, others through confidentially shared reports of consulting firms, and a few by query of regional consortium directors.

Using the Carnegie Commission's classification system (1973, 1976), the researcher tried to select cases of merger and attempted merger which would range across institutional type. Completed mergers during the period were most typically between two specialized schools and between two liberal arts colleges, or were achieved through combinations of these institutions with comprehensive colleges; research and doctoral-granting institutions were seldom involved. After ensuring a full range of institutional types, the cases were allowed to concentrate into clusters typical of the period. Consideration was also given to choosing cases from a variety of states since state control of the process differs. Religious affiliation was considered worthy of attention when that also indicated a variation in the issue of control. The year of merger was attended to in order to keep the sample somewhat representative of the decade. The table that follows lists 20 cases studied under this combination of access and selection.

TWENTY PRIVATE COLLEGE CASES

Carnegie Institutional Types*	Ten Mergers	Ten Non-Mergers
Research II Doctoral Granting I	Vanderbilt/Peabody Tennessee, 1979 Independent	
Doctoral Granting I/ Liberal Arts I	Boston College/Newton College Massachusetts, 1975 Independent/Roman Catholic	Notre Dame/St. Mary's Indiana, 1971 Roman Cath/Roman Cath
Comprehensive I/ Comprehensive I		Two Eastern Institutions Independent
Comprehensive I/ Liberal Arts I	R.I.T./Eisenhower New York, 1979 Independent	
Comprehensive I/ Liberal Arts II	Pace Univ/White Plains New York, 1975 Independent/Roman Catholic	Pace Univ/Briarcliff New York, 1977 Independent
	Xavier Univ/Edgecliff College Ohio, 1980 Roman Cath/Roman Cath	
Comprehensive I/ Two-Year		Pace Univ/Bennett New York, 1977 Independent
Comprehensive I/ Specialized	Univ. of Bridgeport/ Wethersfield Law School Connecticut, 1977 Independent	
Comprehensive II/ Two-Year		St. Peters/Engelwood Cliffs New Jersey, 1974 Roman Cath/Roman Cath
Liberal Arts I/ Liberal Arts I	Hamilton/Kirkland New York, 1978 Independent (coordinate)	
Liberal Arts I/ Liberal Arts II		Nazareth/St. John Fisher New York, c. 1970 Roman Cath/Roman Cath
Liberal Arts II/ Liberal Arts II	Norwich/Vermont Vermont, 1972 Independent	Two Far Western Colleges Pacific Region, 1977 Independent
		St. Thomas Acquinas/Dominican of Blauvelt New York, early '70's Roman Cath/Roman Cath
Two-Year/ Two-Year		Bennett/Cazenovia New York, 1974 Independent
Specialized/ Specialized	Colgate Rochester/ Bexley Hall/Crozer NY; Penn; Ohio; 1968-1970 Protestant Seminaries	Mannes/Manhattan Schools of Music New York, 1979 Independent

*In the year prior to merger decision, as classified by Carnegie Commission on Higher Education methods.

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